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General Energy Issues

Thrust on energy efficiency as country advances

October 22 (China Daily) -- China, in some ways, had not officially put itself on the path of industrialization until early 1980s. And it's hardly surprising that China's total energy demand has been and will keep rising to meet the increasing demand stemming from modernization.

Energy efficiency has long been regarded as a way to reduce production costs as China moves forward to becoming a market economy despite the fact that before 2006, the notion was not as high on the government agenda as it is today.

Figures show that China's energy consumption density per unit of GDP has been falling. In 1980-90, the annual pace was 3.6 percent and that in 1991-2005, 3.1 percent.

However, China made great strides from 1991 to 1995, when the energy density was cut by 5.8 percent annually.

Partly based on these impressive achievements, China's top legislative body National People's Congress has approved a goal of cutting energy consumption in 2006-10 by 20 percent.

In 2006 and 2007, China has reached a little more than 5 percent of that goal. To achieve the overall goal, the country will have to cut energy density by a minimum average of 5 percent a year from 2008 to 2010.

More technical improvement and awareness will be sought as the Chinese leadership has taken energy efficiency not only as an economic but also as a political mission.

The government has also linked energy-saving performance to the career path of officials and leaders of State-owned enterprises to curb energy consumption.

At the same time, the government has been gradually deregulating the oil prices after allowing coal prices to be set by the market several years ago. China has reached a stage when its economic and industrial structure is being upgraded and as the market economy matures, the service industries have more opportunities to prosper.

So far, the rapid economic growth in China has been achieved through heavy input of financial resources and energy. Apart from the relatively low efficiency of energy consumption, another important reason behind the huge energy consumption is the high proportion of manufacturing industry in the country's economy.

The service industry does not involve heavy energy consumption but human resources. Therefore their boom would diminish the overall demand for resources in the economy and facilitate energy saving and emission reduction.

However, this would require long-term, sustained efforts. Latest research shows China's energy consumption is likely to reach 3.1 billion tons of standard coal equivalent by 2010, 100 million tons more than the earlier ceiling.

The numbers are "the most likely scenario" for China's energy consumption, as were revealed by a recent report of the State Council Development Research Center.

Premier Wen Jiabao has stressed energy wastage is still a serious problem in government departments and institutions, State-owned enterprises, large public projects and individual households. Wen is right: energy saving is the common responsibility of the entire society.

China's road to energy security

October 5 (Xinhua) - It was a mid May night, and trucks queued up at a gas station by the East 5th Ring Road of Beijing. The line was several hundred meters long, blocking a lane of the main road. At the station, the oil nozzles were left idle -- the supply of diesel had run out and the new delivery wouldn't come until after midnight.

"We have no oil here. Don't wait any more. Please go to another place," clerks at the Sinopec station shouted to the drivers, someof whom responded that their vehicles were out of fuel and couldn't go any further.

When the delivery came, it would not be enough, a driver said. The limited stock would be sold on

ration. Most vehicles would be partly filled and some would have waited in vain. The same situation was also seen at other stations, and it had been like that for days, the driver added.

The situation had a direct link with soaring oil prices on the international market. To the country's decision makers, it was a harsh reminder of a vital issue -- energy security.

Though the aggregated figure looks quite impressive, China is poor in energy resource reserves on per capita calculation. Proven reserves of fossil fuels have increased in recent years, but this cannot change the overall picture. Production of energy has continued to grow with the demand growing faster due to a rapid development of the economy, the quickening pace of urbanization and the rising living standard.

The country's coal reserves ranked third globally. Production was the greatest, accounting for about 40 percent of world output in 2007. Given the current speed of exploitation, the reserves would be exhausted in a little over 80 years. The comparatively small reserves of oil and gas would dwindle even faster, in 15 years and 30 years respectively.

The government announced an energy strategy that prioritized conservation to optimize consumption; it relies on domestic production and seeks diversified sources to secure supply and to develop new and renewable energies as alternatives for the future. "We will strive to establish a steady, economic and clean energy supply system," Zhang Guobao, minister in charge of the energy sector of the National Development and Reform Commission (NDRC), said at an international conference in January.

It might be necessary for China to maintain a fast economic growth, but energy consumption may grow at a slower pace if a good job is done in conservation. The country's unit gross domestic product (GDP) energy consumption was three to eight times as much as those in the United States and Japan. Adjusting the demand of industries is a way to reduce energy intensity. A government announcement made on Oct. 11, 2007 terminated preferential power rates for high energy consuming industries such as electrolytic aluminum, alloy and chloro-alkaline enterprises. Tightening management and upgrading technology also help reduce the energy consumption of suppliers as well as consumers. For example, thermal plants were required to adopt highly efficient new technologies for coal burning power generation.

By the end of 2010 China has set a target of cutting down energy consumption per 10,000 yuan (1,460 U.S. dollars) of GDP by 20 percent, from 1.22 tons of coal equivalent (TCE) in 2005 to 0.98 TCE. That means an annual average of 4 percent.

Performance in the first two years did not warrant optimism, but things were improving. Last year, while the overall reduction rate of 3.66 percent still fell short of expectations, more than two-thirds of the provinces met the annual goal. This was in sharp contrast to the first year when only Beijing managed to do so.

NDRC Energy Institute director Zhou Dadi said although the central government had shown a strong will and genuine commitment to the task, efforts by some local governments and companies were inadequate. "The high-rising oil prices may force domestic companies to a higher level of energy conservation."

In the 11th Five-year (2005-2010) Energy Development Plan (FYEDP), an annual average growth of 3.5 percent was targeted in primary energy production to reach 2.446 billion TCE by 2010.

Coal energy would be developed in an orderly manner, the plan said, with digging operations moderately increasing in western China -- Shanxi, Shaanxi and Inner Mongolia. Coal mines in east China would be tapped in an optimal way.

Drilling would be accelerated in oil and gas fields in central and western regions and offshore areas. Onshore oil and gas resources would be tapped in an optimal way, the 11th FYEDP said.

To secure supply in emergency situations, China began to build up its strategic oil reserves in 2004. The first four bases, totaling 12 million tons of storage capacity, are located in the coastal regions. Construction of the Zhenhai facility in the eastern Zhejiang Province has been completed. The rest will be ready in 2010. The entire plan, including the second and third batches of projects to be completed before 2020, aimed at a combined capacity of 68 million tons.

The government has acknowledged the importance of clean and renewable energies. China has abundant resources in hydropower and wind, solar, biofuel, geothermal and tidal energies. Renewable energies and nuclear power accounted for 7.5 percent of total energy consumption last year. The State Renewable Energy Medium- and Long-term Planning (SREMLP) aimed at raising the renewable share to 10 percent in 2010 and 15 percent in 2020.

China's hydro potential ranks first in the world. The country has a long history and rich experience in exploitation. Installations of hydropower reached 145,000 mw through 2007. The target is 190,000 mw for 2010.

Wind and solar are two promising renewable sources. The nation's total wind installation reached nearly 6,000 mw in capacity through 2007. The government lifted the wind target for 2010 from 5,000 mw to 10,000 mw. "The new target is still conservative. Actual installation may reach 20,000 mw by the time," China Wind Energy Association Vice President Shi Pengfei said.

The latest statistics available show the country's nuclear power capacity totaled 9,100 mw, with 11 reactors in operation. By2020, the State Nuclear Power Development Plan aims at a total installation of 40,000 mw, which would account for 4 percent of the nation's total power capacity. Compared with the world average of 14.8 percent and close to 80 percent in some leading countries, there was much room for China's nuclear development.

About a half of its oil supply now comes from abroad. Saudi Arabia is the biggest source. China diversifies its sources by purchasing from Angola, Iran, Oman, Venezuela, Sudan and Russia. The country has also started to develop oil drilling projects in other countries too.

As energy becomes a common, big problem worldwide, China joins other countries in seeking solutions. The country is part of a seven-party, 30-year international program aiming at exploiting nuclear energy via atomic fusions. It has reached bilateral agreements with governments of more than 30 countries for cooperation in new and clean energy development. In January it signed an accord with India for cooperation in civilian use of nuclear power.

The importance of energy had led to calls for reinstatement of the energy ministry. But the National People's Congress, the top legislature, in March endorsed a plan for reforming the existing Energy Bureau, which was given a bigger say on energy issues than the old bureau nestled in NDRC. The NDRC's Zhang Guobao was also appointed director general of the new institution.

In the case of the Sinopec gas station, government control of oil prices was another factor for the shortage. On June 19, the government announced an increase in petrol and diesel prices by 1,000 yuan per ton. The margins of the price hike were the biggest ever. As a result, retail price of No. zero diesel in Beijing went up to 6.23 yuan from 5.29 yuan a liter.

The line of waiting vehicles shortened at the gas station, where attendants were again busily refueling vehicles stopping by. Business was back to normal, at least for the time being.

Gov't to launch survey of energy conservation measures

October 21 (Xinhua) - China's government is to conduct a nationwide survey of efforts by local governments to reduce energy consumption and greenhouse gas emissions.

The government has set a target of reducing energy consumption per unit of GDP by 20 percent and major pollutant emissions by 10 percent from the 2005 levels by 2010, in a bid to protect environment and insure a sustainable development.

"However, the country still faces great difficulties in fulfilling the commitment, and the situation remains arduous," said National Development and Reform Commission (NDRC) deputy director Xie Zhenhua on Monday.

In the past two years, energy consumption per unit of GDP had only been reduced by 5 percent annually, according to NDRC figures.

Four central government departments on Monday launched a special campaign to oversee efforts by local departments to promote

energy conservation and reduce discharges of pollutants.

The departments are the NDRC, and the ministries of supervision, environmental protection, and housing and urban-rural development.

The NDRC also announced on Monday the establishment of the National Energy Conservation Center to provide technical support for energy efficiency management.

The center would draw up energy conservation policies, regulations, research programs and mechanisms.

The center would also be responsible for providing energy-saving assessments of fixed asset investment projects and promoting energy-saving technology.

The center would provide energy conservation training programs, and international exchanges and cooperation.

Energy management companies want more government help

October 20 (www.china.org.cn) -- recent survey of energy service companies (ESCOs) by the Energy Institute of the National Development and Reform Commission indicates that lack of policy support and difficulties in raising finance are major obstacles holding back the development of the country's energy management industry, according to Zhao Ming, secretary-general of the China Energy Management Company Association (EMCA).

Zhao made her remarks on October 18 at a forum on the theme of innovation in energy saving and emissions reduction, held at the 2008 China International Energy Conservation and Environmental Protection Exhibition which was held on Oct. 17-20 in Beijing. (Learn more about the exhibition)

EMCA was founded in April 2004, and the number of ESCOs registered as members grew from 47 to 153 between 2005 and 2007.

EMCA is playing a key role in the China Energy Conservation Promotion Project, a joint project of the Chinese government, the World Bank, and the Global Environment Facility (GEF). The main aim of the project is to promote the mechanism of Energy Performance Contracts (EPC) in China's energy management industry, and provide technical assistance to the ESCOs who operate EPCs.

According to Zhao, annual investment in EPC projects increased from 851 million yuan (US$141.8 million) in 2003 to 6.55 billion yuan (US$1.09 billion) in 2007. In 2003 they achieved reductions of 559,900 tons of standard coal, and emissions equivalent to 361,200 tons of carbon; by 2007 that had risen to 4.46 million tons of standard coal and 3.17 million tons of carbon.

China's ESCOs also complained about lack of customer awareness of Energy Performance Contracts, a lack of sound competition in the energy services market, and shortages of technology and trained staff.

The government for its part feels it has already attached importance to energy conservation and the energy management industry. In March 2007, the State Council called for accelerated development of the energy management industry; and an amended Energy Conservation Law enacted on April 1 this year puts conservation at the top of China's energy development strategy.

The Beijing municipal government is planning major investments in energy conservation projects and subsidized loans to the industry, according to material published by the organizers of the 2008 China Energy Conservation and Environmental Protection Exhibition.

Gov't to enhance clean energy supply

October 7 (CRI) -- At a recent forum on clean energy development, Vice Minister of Commerce Gao Hucheng said China has big potential in clean energy like hydroelectric, nuclear and wind power.

"China has taken a series of measures to promote energy saving, encourage technological progress and strengthen international energy

cooperation. Our goal is to pursue sustainable resources."

Energy saving and environmental protection are viewed as part of China's national strategy. According to a plan from the State Council, by 2010, energy consumption per unit of GDP will be 20 percent less than in 2005.

Controls on sulfur dioxide emissions at coal-fired power plants and the phased elimination of outdated technology have been implemented to reach this goal.

Xie Kechang, an academician at the Chinese Academy of Engineering, said China should curb its growing consumption of fossil fuels and make more efforts to develop low-carbon technology.

"We have to raise the efficiency of resources like petroleum, coal and natural gas, alleviate the damage to the ecological environment during its production, consumption and transformation, and gradually reduce the consumption rate of coal."

China is a big energy producer as well as consumer. Shanxi province in northern China is one of the country's biggest coal producers. Its pillar industries, coal mining and power generation, are polluting heavily while consuming a vast amount of natural resources.

Currently, Shanxi is trying to promote fine processing of coal and similar resources, in an effort to change its development model by exploring new economic pillars. Shen Lianbin is the vice governor of the province.

"We aim to leap from a big coal producer to a big new energy producer, and will develop local culture instead of purely relying on its resources. We will try to build Shanxi into the production base of China's new energy."

China has mapped out mid- and long-term development plans for renewable energy and hopes to boost the fuel efficiency of hydro, wind, and solar power.

Thanks to the program, the proportion of renewable energy is expected to cover 10 percent of the country's total energy consumption by 2010, and 15 percent by 2020.

Beyond coal

October 6 (China Daily) -- Despite China's five-year campaign to ease the energy crunch, the country still has a long way to go to realize a sustainable energy future.

It's predicted that China will account for more than 25 percent of the world's primary energy demand by 2025 and its demand will be quadrupled by 2050, compared to the level at the start of this century.

In addition, fossil resources such as coal and oil will still account for the bulk of China's energy needs by 2050, and are predicted to be 70 percent of the total.

"Coal will keep the role of the country's top energy choice up to 2050 because of the fast growing industrialization," according to a report, Shell Energy Scenarios To 2050, recently released in Beijing by Shell's Global Business Environment team - an organization that studies the world's energy sector.

"This is the first time that Shell's Global Business Environment Team released a forward-looking report in China," says Jeremy B Bentham, vice-president of Shell's Global Business Environment Team and the head of Shell Scenarios.

According to Bentham, more than 300 professionals from academies such as Oxford Economics and the International Energy Agency, enterprises (Royal Dutch Shell), as well some NGOs, worked for three years analyzing the energy situations of 70 countries around the world.

"China is one of our significant focuses," Bentham notes.

According to the report, in the last five years more than 44 percent of the world's energy consumption came from coal and the rate is higher in China, accounting for nearly 70 percent in the country's energy mix.

Furthermore, China's energy consumption is estimated to reach 2.9 billion tons of standard coal equivalent by 2010 and 3.8 billion in 2020.

One thing is clear, according to the report: an energy transition is inevitable for China in order to reduce energy consumption and emissions.

A portfolio of political and regulatory action is needed and it is critical over the next five years, the report notes. Policy choices in the next five years will shape energy production and usage and influence economic and environmental progress for the next 15 years.

"Tomorrow is much more dependent on how we do today," according to the report.

And China's 11th Five-Year Plan (2006-10) has started action for energy saving and emissions control.

By the end of 2007, China had completed 26.9 percent of its target for the 11th Five-Year Plan. Energy consumption per unit of GDP decreased 5.38 percent compared with the 2005 level. It was estimated that the decline saved 147 million tons of standard coal.

"It is a perfect starting point for China and elsewhere to face the challenge of environmental protection and energy security," says Bentham.

However, fossil fuels continue to take a heavy toll on China's environment. More coal-related energy means more carbon emissions.

To stem climate change, renewable energy sources such as wind and solar energy are essential, says the report.

"Global CO2 emissions would be capped by 2020 and subsequently begin to decline to 2000 levels by 2050, which is under the suitable policy of promoting renewable energy development," says the report.

China has huge potential for wind and solar energy, Bentham says, and the government is also promoting hydroelectricity, geothermal energy and marine energy.

"Renewable energy will be an important part of China's future energy mix," Bentham notes, adding that it will account for an estimated 16 percent of China's total energy consumption in 2020, and make up around 30 percent of primary energy by 2050.

In addition, Bentham points out that China should develop unconventional fossil fuel sources such as oil sand and shale.

"China has great oil sand reserves," Bentham says, adding that the next five years will be a critical period to promote oil sand exploration technology.

Green strength

October 6 (China Daily) -- It's the election season in the US, and presidential and congressional candidates are proposing changes in energy policy designed to diversify energy supplies and end Americans' addiction to foreign oil. While candidates' rhetoric about the importance of renewable energy and other energy alternatives is impressive, in reality the political support for renewable energy is tenuous. In Congress, the Production Tax Credit (PTC) and the Investment Tax Credit (ITC), which make the industry's growth feasible, are about to expire at the end of the year.

The American renewable energy industry has taken off in the last decade, and financiers, project developers, and end-users are showing great enthusiasm for the possibilities that renewable energy offer. High energy prices, energy security, and climate change are on the minds of many Americans. Although the capacity of renewable energy in meeting these challenges is well understood, the political climate is not sufficiently supportive of the renewables industry.

Every two years, the federal tax credits that allow the industry to grow expire, causing a drastic plunge in investment and project development. This pattern has been happening for eight years, and the damage to the industry has been profound. The reason that the tax credits are short term, and the reason they have not been extended this year, have to do with the partisan politics of the US Congress and the strength of competing interests such as oil and gas.

Nancy C Floyd, the founder of Nth Power, is one of most experienced venture capitalists who has been investing in renewable energy technologies for decades. She explains that "renewable energy is a 'finance-driven' industry". The renewable energy industry is still young,

and there are financial obstacles which make it difficult for developers to compete with the well-established gas and oil industries.

In order to be competitive, financial incentives are critical. As a financier, she understands that clear, consistent renewable energy policies are essential for investor confidence.

The reasons that the tax credits have yet to be extended are complicated. This year, Congress has voted eight times on tax credit extension related bills. I tried to get an explanation of this puzzle from industry leaders and congressmen. One of them said - "the journey of the ITC and PTC is a great way to understand American politics".

Both Democrats and Republicans agree that the ITC and PTC extensions should be passed, but they have been blocked by arguments based on issues other than their merits. Namely, how Congress will pay for these tax credit extensions.

Republicans charge that Democrats are reckless spenders, so when Democrats became the majority in 2006, House Speaker Nancy Pelosi introduced a Pay-As-You-Go rule which prohibits new spending or tax changes that will add to the national deficit. So, when the Democrats tried to pass a bill that would be paid for by reducing oil and gas industry tax benefits, Republicans blocked it.

And we mustn't forget that the Congress faces an election in November. Congressmen are most concerned with winning the election, and they have thus far used renewable energy policy to fight against one another.

I draw my conclusion that the Pay-As-You-Go principle and the priorities of the Congress are causing this delay, which will put some of the vaunted "Green Collar" jobs at risk and slow down the installation of new renewable energy projects. As an outside observer, I begin to wonder who is actually representing American national interests.

On the other hand, I am pleased that China is a policy leader of sustainable development in the developing world, if not worldwide, and it is leading the massive global transition toward sustainable growth. I should say that the flourishing renewable industry in China is largely due to the top decision makers' strong and clear policy signals.

The national renewable energy target, the robust economic and financial incentives, and the sophisticated on-grid renewable electricity price management and cost sharing scheme intertwine together to trigger entrepreneurs to explore cost-effective and innovative solutions for expanding domestic and potential oversea renewable energy markets.

It's a great joy to hear Jonathan King, the president of Equity Guidance, to share his story in pursuing renewable deals in China. "Like anything you hear about China these days, it's phenomenal how quickly China is scaling renewable capacity and this is creating enormous opportunity going in both directions across the Pacific."

He also has so many good things to say about LDK (Jiangxi Saiwei)-a solar wafer manufacture. He believes that LDK will soon be the dominant wafer manufacturer in the world as well as one of the largest polysilicon suppliers.

I congratulate China. Its lawmakers realize the importance of sustainable development to the economy and society, and make regulations and laws to advance renewable energy implementation and commercialize clean technologies. Moreover, ordinary citizens play an important role in the current interim success of China's renewable energy market. Modern Chinese derive collectivism from its long history and culture; therefore, the Chinese tend to value harmony and duty. The collectivist mentality partially explains why Beijing Guanting wind farm was able to be built in a very short period. By contrast, Cape Wind, an American energy developer, has been planning to build America's first offshore wind farm in Nantucket Sound since the fall of 2001. Residents understand the merits of this project; however, they are concerned about the aesthetics of the farm, and the "Not in My Back Yard" mentality continues to block this project.

Despite its successes, I have to say that China's renewable energy market still has its problems. The wind project concession through the public tendering system is supposed to drive the wind power price down by introducing competitive bidding.

However, State-owned power companies can offer to sell renewable electricity at a loss, preventing domestic and foreign private firms from entering the wind market. I would say it's

not the most effective way to boost the adoption of renewable energy. In Germany, the Feed-in-Tariff model requires utility companies to buy renewable electricity at a fixed rate for 20 years.

It provides an equitable opportunity to all willing participants in the market, offering the freedom to produce and sell their own energy and stimulating the rapid growth of renewable energy installations.

Meanwhile, China's concession program requires that 70 percent of wind power components be domestically made. Wind developers are compelled to purchase domestic wind turbines, even though foreign manufacturers may have more experience and a stronger record of reliability.

Admittedly, this regulation will help localize the wind turbine industry and prepare domestic producers for future exports. It's important to remember that the WTO laws may be violated by doing so.

Currently, nearly all solar panels produced in China are exported to Western countries. A standard argument has been that solar photovoltaics (PV) are too expensive for China. However, this idea is based on assumptions that are no longer correct. First, solar power is getting cheaper. Japan and California are creating photovoltaic electricity that is equal in price or even cheaper than conventional power. Second, solar PV is a cost-effective choice for people located in remote areas, where it's very expensive to build transmission lines.

Effective national policies are required in order to develop the renewable energy industry into a competitive market. I wish that all the top decision makers from the US and China would have a crystal ball to make rules of law that make both political and policy sense for renewable energy.

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Automobile and Transportation

Time ripe for introducing fuel oil tax

October 17 (China Daily) -- With the global crude oil price continuing to drop, some analysts said the time is ripe for China to introduce the long-discussed fuel oil tax.

"I believe it is right to introduce the tax while the international oil price is below $80 per barrel," said Zhang Peisen, a senior researcher with the Taxation Research Institute under the State Administration of Taxation.

Due to the global financial crisis, the international oil price fell below $80 per barrel this month. However, it hit a record high of $147 a barrel in July.

When the oil price is relatively low, the fuel oil tax will have less of an impact on domestic consumers, Zhang said.

Enforcement of the tax will result in price rises for fuel such as gasoline and diesel, he said. For instance, if the tax rate is 30 percent, a taxi driver in Beijing will pay around an extra 1,000 yuan a month for the fuel.

Zhang's view was echoed by Zhu Binggang, a member of the expert panel of PetroChina. "In recent years the global oil price has skyrocketed, which has become a major concern for the Chinese government when considering this new tax."

"But now, due to the financial turmoil, the price has fallen, and as the economic recession continues, the crude price will witness further drops," Zhu said.

The fuel oil tax was first proposed in 1994. In 2001 and 2002, The government said it would introduce the tax at an opportune time.

Without a fuel oil tax, China has instead been collecting road maintenance fees from motorists regardless of how much fuel they use.

Fee payments of more than 100 billion yuan are collected by around 300,000 Ministry of Transport employees every year.

China should introduce the fuel oil tax as soon as possible, so as to fully reform the country's

energy sector," said Zhou Dadi, a researcher with the Energy Research under the National Development and Reform Commission.

"The aim of the new tax is to further boost energy saving and environmental protection in the country," he said.

Zhou said whether the global oil price is relatively low is not very important with regard to enforcement of the new tax. "When the oil price is high, it seems that the tax will increase the burden on consumers, but it will help people better realize the importance of energy conservation."

As the world's second largest energy consumer, China has seen rapid increases in the use of energy.

Nearly half of China's total crude oil consumption currently comes from imports. China imported nearly 200 million tons of oil last year, a 10 percent increase compared to 2006.

"China is not very rich in energy resources, and the fuel oil tax can help the country change the previous energy consumption mode," Zhou said.

Vehicle restrictions, natural gas tapped as green solutions

October 16 (HK Edition) -- Cleaning the air, generally improving the environment and turning the Pearl River Delta region into a green and quality living area are all on Chief Executive Donald Tsang's to-do list.

The government is now reviewing the air-quality objectives, Tsang said during his policy address yesterday. Given that electricity generation is a major source of pollution in Hong Kong, he was concerned with ways to reduce coal-fired power generation and promote the use of cleaner fuel, perhaps by increasing the amount of natural gas used for power generation to 50 percent.

As buildings account for 89 percent of the total power consumption in Hong Kong, the government will push for the mandatory compliance of Building Energy Codes to improve energy efficiency in new and existing buildings as soon as possible.

To further promote energy efficiency and conservation, and to reduce carbon dioxide emissions, he said, the government plans to implement a district cooling system at the new Kai Tak Development to supply chilled water to the area for centralized air-conditioning.

Also, the government will present to the Legislative Council a final proposal requiring all idle engines to be shut off. The plan, officials say, would ideally be introduced by the end of the year and implemented next year.

In addition, the government will also study ways to restrict the more-polluting pre-Euro and Euro I vehicles from entering heavy traffic zones. The government has accepted the proposal of the Council on Sustainable Development and will draw reference from the World Health Organization's latest air-quality guidelines, as well as the latest evidence and data of the negative impact of air pollution on people's health.The review of air-quality objectives will likely be completed by the end of the year.

Conservancy Association campaign manager Peter Li said the group was pleased that the government has finally expressed a willingness to catch up with international air-quality standards. He also agreed with striving for green, quality living area in the Pearl River Delta, but he hoped there would be concrete measures.

However, Green Peace said the policy address neglected the roadside pollution problem. In this connection, it asked the government to replace its diesel vehicles with regular gasoline ones as soon as possible.

Never mind the credit crisis what about the brand crisis?

October 28 (APR) --- The global financial meltdown which is impacting on car markets everywhere presents a potential opportunity for Chinese auto makers. As never before car owners worldwide are going to be focusing on value for money – both in new car pricing and in ongoing running costs. In both areas, Chinese models have an opportunity to score well and conquer new markets and owners for themselves.

Yet, unless things change very fast, Chinese makers' ability to capitalise on this opportunity will be severely constrained by a single factor: lack of brand awareness. Western consumers are brand loyalists – they want to know and understand the connotations of the car brand they choose.

This is something well understood by the most successful car brands – BMW, Mercedes, Audi, Toyota and the rest. They guard their brand values fiercely and invest heavily in sustaining their brands across all markets with powerful, consistent and high-impact communications programmes.

In China, where ironically the importance of brands seems to be well understood on the High Street, with global names such as Prada, Gucci, Armani and many, many more battling it out for supremacy - auto makers have not yet grasped this issue. Leaving aside the JV operations (where of course linking up to a globally-renowned brand is a key added-value for domestic makers), few if any indigenous makers understand and have given due weight to this aspect of their marketing plans.

A single exception might be BYD which has both an understandable and pronounceable (in the West) brand name – 'BYD – Build Your Dreams' – and sizeable foreign exposure for it. However, BYD – where it is recognised – is a name for a battery not a car which may help with the company's aspiration to produce EV and hybrid models but will be of little assistance for conventional vehicles.

But names like Geely, Chery, Brilliance, FAW, Lifan, Great Wall and many others are simply unknown and – where they are beginning to gain some visibility – not understood. When it comes to vehicles, 'Made in China' - generically speaking – means dubious quality, questionable safety and lack of design originality (ie: 'it's a copy'). It may also mean 'cheap' but that's a very double-edged sword when the car owner is concerned.

'You are what you drive' is an old adage in the West but it has some basis in reality. Who wants to be seen driving a poor quality, unsafe copycat model, even if its as cheap as chips?

Those negative brand attributes are the ones which – all too often – Chinese makers have right now for their products. Attributes they don't – in many cases - deserve but which they have because they are not fighting their corner and building brand values based on the strengths and attractiveness of their products and businesses. Because 'brand image' is not just about the vehicle, its about the whole ethos of the company and its philosophy.

The world knows that BMW, for instance, stands for cars which deliver high performance and are technologically advanced. Its an image the company has striven to achieve over decades of solid investment and product planning. Doubters queried if the little 1 Series might be stretching the brand too far but – unlike Audi with its clever but flawed A2 model – they seem to have carried the day.

Chinese makers need to wake up quickly to the challenges of developing distinctive worldwide brands which are clearly differentiated from the competition both at home and overseas. Those negative brand attributes which vehicles designed and made in China unfortunately have as a given can – and must - be offset.

The Chinese brands which are going to succeed in foreign markets are the ones which will stand apart – the ones which will demonstrate the power of their investment programmes, the excellence of their R&D facilities and the quality of both their production and their people. It's a process which is slow to implement, takes real investment yet cannot be avoided.

So if a brand crisis in Chinese auto making is to be avoided – with almost as serious consequences for them as the financial debacle is having for the international banking community – urgent action is needed now. Building the brand is just as important as designing and building the car!

2009 a tough year for China's auto industry

October 20 (China Daily) -- China's automobile industry, which is suffering from the global financial crisis and the country's macroeconomic adjustment, should expect another tough year in 2009, experts and auto dealers predicted.

"The country's overall economic growth, which is expected to fall in 2009, will have a negative impact on China's auto industry," Xu Changming, an auto analyst at the State Information Center, a Chinese government think tank, said at an industry seminar on October 15 in Beijing.

The slowing world economy, pummeled by the global financial crisis and weaker demand for Chinese exports on international markets, has weighed heavily on the Chinese economy. In the third quarter, GDP growth rate slowed down to 9 percent, the lowest in five years. It had been 10.6 percent in the first quarter, 10.1 percent for the second quarter and 10.4 percent in the first half of 2008, according to statistics from the National Bureau of Statistics.

Huang Kun, chairman of Beijing Jingbaohang Automotive Sales & Services Co Ltd, a BMW auto dealer in Beijing, also took a gloomy view of China's auto market in 2009.

"Fast depreciating US dollars make more imported vehicles cheaper in the Chinese market, resulting in falling production at joint venture automakers," Huang told chindaily.com.cn.

The US dollar depreciation also has had a huge impact on China's auto industry, especially independent brands, Huang added. He also said rising global oil prices and China's fuel tax, which is expected to be launched, will make auto consumption a more expensive option, dampening a batch of would-be auto buyers.

"A considerable proportion of auto dealers are running at a loss, only 20 percent of them may be profiting," said Luo Lei, deputy secretary general of the China Automobile Dealers Association.

In addition, many other uncertainties are clouding the industry, making the future of the sector mixed and complicated, said Ding Hongxiang, chairman and general manager of China Trading Center For Automobile Import. "It is still unknown what the development of US financial crisis will be and what policies the Chinese government will launch to cope with the crunch," Ding added.

Even if the crisis spreads and Chinese economy slows down, many automakers will continue to expand their production capacity despite a high inventory. It has brought huge capital pressure to dealers, according to Ding.

China sold 751,500 motor vehicles nationwide in September, representing a growth of 19.48 percent from the previous month but a decline of 2.74 percent from the same month of last year, the China Associations of Automobile Manufacturers said.

The country's vehicle sales posted the first year-on-year decline this year in August. And although many insiders estimated a decline would not occur in the traditional boom month of September, it did.

In the long term, the auto industry is full of hope in China, as the number of cars per 1,000 people is only 22 at present, far lower than in developed countries, demonstrating huge auto consumption potential, said Xu Changming.

Chinese car market slowing - Manufacturers refusing to consolidate

October 20 (The International Herald Tribune) -- Yet more evidence of the dent to the Chinese auto dream:

At this time of year, China’s passenger car dealers normally bask in a warm autumn glow, with September and October being the country’s two best months for auto sales.

But, this year is different. The chilling winds of the global credit crisis, inflation and sinking consumer confidence are being felt on dealers’ forecourts across the land.

China’s passenger car sales fell in August from a year earlier, the first monthly decline in more than two years.

According to China Association of Automobile Manufacturers (CAAM), 451,300 cars were sold in the world’s second-largest auto market in August, down 6.24 percent year-on-year.

Earlier this month, CAAM reported that sales continued to slide in September, with the monthly figure falling 1.44 percent from a year earlier to 552,800 units.

Sales growth in the sedan segment cooled from more than 20 percent in the first quarter to 10 percent in the second quarter.

"Too many adverse factors are putting a damper on auto sales this year," says Hui Yumei, an analyst from auto research firm Sinotrust.

"The readjusted vehicle purchase tax and higher fuel prices can be blamed for the unusual slowdown, as well as consumers delaying their purchases because of the expectation of a price cut after the Anti-Monopoly Law was implemented in August and their flagging enthusiasm in the slumping stock market," says Hui. "The Beijing Olympics also kept potential purchasers from showrooms."

Fuel prices rose on two occasions in the past few months, first in June by 20 percent and on October 7 by a further 4 percent in Beijing, in a bid to cut oil consumption and tackle pollution.

And, in an effort to drive more potential buyers away from huge gas-guzzlers, in September the central government hiked the sales tax on big cars, while cutting the levy on smaller vehicles, in an effort to curb fuel consumption and control emissions.

The tax on passenger vehicles with engines bigger than 4 liters was raised from 20 to 40 percent, while it was cut from 25 to 15 percent for vehicles with engines between 3 and 4 liters.

To encourage purchases of small vehicles, the tax on cars with an engine size at or less than 1 liter fell from 3 to 1 percent.

However, the government's supposed shot in the arm for sales of smaller autos appears to be a bit of a damp squib.

In August, the market share for passenger cars with engines at or smaller than 1 liter was a mere 7.67 percent.

Jin Yibo, a spokesman for Chery Auto Group, explains that the tax adjustment only cuts the price of more fuel-efficient cars by several hundred yuan, not enough to convince customers that smaller is necessarily beautiful.

The unexpected slowdown in sales has had an obvious impact on the market.

Mazda Motor Corp last month halved its sales forecast at a Chinese venture selling compact cars, admitting it goals were too high.

According to CAAM, passenger vehicles sales in the first half of the year stood at 3.6 million units, 17.07 percent up from the same period last year.

Inventories of unsold new vehicles in China rose about 50 percent to a four-year high at the end of June, as sales growth slowed unexpectedly while automakers boosted output.

The backlog reached 170,000 vehicles at the end of June, the highest since the previous peak of 200,000 at the end of June 2004, according to China Securities Journal, which quoted Cheng Xiaodong, chief auto analyst with the price monitoring center at the National Development and Reform Commission.

"The fuel price hike, the slowing economy and the rising vehicle purchase tax mean that I'm not optimistic about a recovery in car sales in October," says Rao Da, secretary-general of the China Passenger Car Association.

"A decline is very likely in the first half of 2009, but things could improve in the second half as government moves to relax monetary policy gradually take effect," Rao says in a research report released this month. He cut his estimate for 2008 China car sales growth to 5-6 percent, from 6-8 percent last month.

"We have to say goodbye to the 20 percent-plus growth rate and our expectation that sales and production this year will break the 10-million-unit barrier," says Jia Xinguang, an independent auto analyst based in Beijing.

"Production in the first eight months, 6.54 million units, still lags behind the 10 million target by 3.45 million units, which means the goal can only be reached if production exceeds 862,500 units in each of the coming four months. However, this seems to be impossible," says Jia.

He forecasts 8 percent growth this year, with production reaching 9.5 to 9.6 million units, up from 8.88 million units last year.

Toyota to build 7th plant in China

October 27(Associated Press) - - NEW YORK- Toyota Motor Corp. said Monday it would invest 4 billion yuan ($586 million) to set up its seventh auto factory in China on the back of strong demand there.

Japan's top automaker will build the new plant in Changchun, the capital of Jilin province in northeastern China, to produce 100,000 units of a popular Corolla model per year, it said in a statement.

"We will build the new plant due to expanding demand in China," said Toyota spokesman Paul Nolasco. The new plant will be a 50-50 joint venture with Chinese partner FAW Group Corp. Toyota gave no further details including when the new factory would begin production.

Toyota's sales in the U.S. have been sluggish, but the company is enjoying strong demand in China even as the country's booming economy shows signs of slowing. Its sales there from January to September 2008 jumped 24 percent year-on-year to 429,000 units. Last year Toyota sold 499,000 vehicles in China.

China's economic growth in the third quarter was its slowest in five years though remained robust at 9 percent.

Most of the vehicles made in China are sold domestically, and Toyota hopes to sell 700,000 vehicles in 2008 and aims to sell one million units by early in the next decade.

The Changchun factory combined with other expansion plans would boost Toyota's annual production in China to over 1 million in the near future from its current 643,000 units per year, the company said.

New traffic restriction takes effect in Beijing

October 11 (Xinhua) -- BEIJING -- A new traffic restriction went into effect in the Chinese capital Saturday, which is expected to help sustain the hard-won smooth traffic and good air quality during the Olympic Games.

Under the new traffic restriction, 70 percent of government vehicles, as well as all corporate and private cars, will take turns off the roads one out of the five weekdays as of Oct. 11, according to the Beijing Municipal Committee of Communications.

Cars whose number plates end with 1 or 6 will be taken off roads on Monday, while those ending with 2 or 7 will be banned on Tuesday, 3 or 8 on Wednesday, 4 or 9 on Thursday and 5 or 0 on Friday. The ban does not apply on weekends.

The ban will be applicable within the Fifth Ring Road inclusive, from 6 a.m. to 9 p.m. for private cars and round the clock for government and corporate vehicles.

Violators will be fined 100 yuan ($14.7dollars).

The new restriction will be implemented on a trial basis for six months until April 10, but does not apply to police wagons, ambulances, fire engines, buses, taxies and other public service vehicles.

As of Oct. 1, 30 percent of government vehicles have been sealed off.

The new traffic restriction is expected to take some 800,000 cars off the road everyday, according to the Beijing Municipal Committee of Communications.

"It's expected to reduce Beijing's average road traffic flow by6.5 percent and speed up traffic within the Fifth Ring by 8 percent at least," Wang Zhaorong, a senior official with the committee, has said.

Because it is weekend on Oct. 11 and Oct. 12, so the new restriction will actually be applied on Oct. 13.

During the first week, traffic police will only give oral warnings to the violators but not fine them, according to the committee. Traffic authorities will also change the "no car day" based on the last number of license plates every month.

"We will boost public transport service after the new restriction is implemented, such as prolonging operation hours of buses and subway trains and increasing their number," said Zhou Zhengyu, deputy head of the committee.

The latest government statistics show that Beijing has about 3.5 million vehicles. In addition, about 1,200 new vehicles take on the road everyday.

During the Olympics and Paralympics, Beijing imposed a two-month ban on vehicles on alternate days, which took nearly 2 million cars off the roads. Traffic flow within the Fifth Ring was reduced by an average 21.2 percent and the average speed at rush hours increased by 25.8 percent to 30.2 km per hour, according to the Beijing Municipal Committee of Communications.

The Olympic traffic ban helped reduce almost 120,000 tons of pollutants emitted by vehicle, or about 63 percent of the total vehicular pollutant emissions before the ban.

The city returned to its normal congestion after the ban was lifted on Sept. 21.

Oil and gas

China-Russia pipeline pact boosts energy links

October 30 (China Daily/Xinhua) -- A Sino-Russian pact on a pipeline from Siberia to supply oil to China's northeast was among the agreements witnessed by Premier Wen Jiabao and his Russian counterpart Vladimir Putin in Moscow on Tuesday.

Russian media reports said Moscow's agreement to move ahead on the long-delayed project was won with pledges of financial support from Beijing.

The pipeline, which extends from western Siberia to the Pacific coast, is to be connected to China from the Siberian city of Skovorodino, 70 km north of the Sino-Russian border. The cost of the pipeline spur has been estimated at $800 million.

Russian pipeline monopoly Transneft and China National Petroleum Corp (CNPC) agreed to build the spur to carry 15 million tons a year of oil (300,000 barrels per day) between the countries' trunk pipelines from 2009. This would be enough to meet 4 percent of China's annual demand.

Russia's top energy official, Deputy Prime Minister Igor Sechin, said Russian oil firms would receive "considerable" loans from China in return for increased oil supplies and that the exact amount would be determined by individual projects.

"Financing is required to realize major projects," Sechin told reporters after the signing ceremony.

Three industry sources close to talks reportedly said the countries were in talks to secure between $20 billion and $25 billion in Chinese loans in exchange for greater supplies of Russian oil.

Wen listed cooperation on resource development first among five proposals for economic cooperation with Russia.

"Energy cooperation is an important part of the China-Russia strategic partnership," said a statement issued after Wen's meeting with Putin. "The two sides support deepening cooperation in developing oil and gas resources."

Apart from the pipeline agreement, Xinhua reported, the two countries agreed to:

work jointly in oil production and processing, natural gas production and in chemical industries;

extend cooperation in nuclear energy, including the construction of Tianwan nuclear power plant in Jiangsu province, uranium mining, post-processing of spent fuel and the treatment of nuclear waste;

strengthen long-term cooperation in space technology to ensure the completion of the 2007-09 space cooperation program as scheduled;

promote cooperation in nanotechnology, energy saving, ecology and rational utilization of natural resources;

enhance cooperation in such areas as trade and project financing, and export credit insurance; and

further cooperate in the civil aviation sector, including joint manufacturing of large civilian helicopters.

Wen concluded his three-day official visit to Russia yesterday and left for Kazakhstan to continue his two-nation tour.

Non-State enterprises may sue oil giants

October 13 (China Daily) -- Non-State-owned oil trading enterprises plan to sue two oil giants to break the oil monopoly, said sources familiar with the matter at an oil summit yesterday, according to China Youth Daily.

Zhao Youshan, president of Petroleum Flow Committee of the General Chamber of Commerce, made the remarks in a summit held yesterday, attended by more than 300 private firms.

"I may turn to the Anti-Monopoly Law to help non-State-owned enterprises get more oil," said Zhao. He has written 14 letters to the State Council, China's cabinet, for more oil in the past ten years.

The new Anti-Monopoly Law took effect on August 1, will focus not only on protecting and facilitating competition, but also on encouraging concentration, acquisitions and mergers to improve efficiency in markets.

In 1998, the State Council said in a document that all oil products produced by domestic oil refineries should be operated by two State-owned oil giants, China Petroleum & Chemical Corporation (Sinopec), and China National Petroleum Corporation (CNPC).

Following the rule, some local governments canceled non-Stated enterprises' operating rights on oil products.

Before 1998, the non-State-owned oil enterprises occupied 85 percent of the domestic oil cake, with tax revenue of more than 100 billion yuan ($14.64 billion) per year. But revenue has now dropped to around 20 billion yuan per year, and 80 percent of non-State owned oil enterprises have fallen in revenue, the newspaper reported.

Zhou Ziqing, who operates an oil-processing enterprise with an annual processing ability of 1.5 million tons, said his firm has not been working for more than one year due to a lack of oil.

"The loss per month is more than one million yuan," said Zhou.

Besides oil processing plants, many wholesalers and oil stations are in trouble.

This summer, a survey from Northeast China's oil-rich Heilongjiang Province shows its nine non-State-owned wholesaling enterprises have stopped business; and among the 1,200 gas stations, 700 have had losses, 300 closed doors, and only 200 are in normal business.

Figures provided by Zhao Youshan show that at the beginning of 2008, two thirds of non-State-owned wholesales enterprises collapsed, one third of gas stations went bankrupt, and more than 10,000 stations suffered losses, with tens of thousands of staff laid off.

Unmoved Monopoly

Since the State Council released the document ten years ago, the non-State oil enterprises have kept on fighting for more freedom, and some local governments have eased restrictions somewhat.

This summer, Heilongjiang Province reached agreements with CNPC for 10,000 tons of diesel oil per month, but the quota is too small to settle the problem.

According to the distribution plan, some gas stations can only get 14 tons per month at the most, which is only enough for one hour during peak demand.

In March and August of this year, the National Development and Reform Commission, together with the Ministry of Commerce, released files and required the two giants to sign long-term supply contracts with non-State oil firms.

Some experts, even some officials, said the old rules have hindered the development of the oil market, and suggested some departments should prohibit the out-dated file.

But the situation has not yet been improved at all, for the two giants have not shown any signal to private firms.

"The non-State firms have no possibility of negotiating with the oil providers, and the prices for us are higher than wholesales price without invoices," said Zhao.

Anti-Monopoly Works?

Breaking the current monopoly is urgent for Zhou Ziqing, and those small or big gas stations, especially when facing a global rise in oil prices, and Zhao realized the newly-approved "Anti-Monopoly Law" may serve as an effective tool.

However, Lawyer Zhao Guohua said although the monopoly evidence is sufficient, it is not the best way to solve the problem, for the loosened policy may lead to negotiations between the two parties.

Some experts said even if there are some breakthroughs on policies, the result would be temporary and unstable for there has been no reform of the current oil mechanism.

An energy expert, Shi Changhua, said several inadequacies in the oil industry have shown State monopoly cannot ensure supply, and an open and diversified oil market is better for oil safety. Although the open market may harm some State-owned enterprises' profits, the consumers may enjoy better service.

"The government should maximize the people's benefits, instead of the monopolies," said Shi.

Is it the end of the line for coal-to-oil in China?

October 9 (China Daily) -- With just two exceptions, China has officially halted all of its coal-to-liquids (CTL) projects due to environmental and economic concerns.

In a notice posted on its website on Sept 4, the National Development and Reform Commission (NDRC) said that, apart from two projects operated by the Shenhua Group, none could go ahead before receiving official approval, because CTL is "a technology-, talent- and capital-intensive project at an experimental stage with high business risks".

The two Shenhua projects are one it has already launched in the Inner Mongolia autonomous region and an indirect coal liquefaction project in Ningxia Hui autonomous region jointly invested by Shenhua Group and South Africa's Sasol Limited.

Direct CTL is differs from indirect CTL, in that it converts coal directly to liquid fuel, bypassing the process of gasifying coal into syngas.

The move aims to "control the business risks of the country's coal-to-oil industry", the NDRC said.

The commission also called on local governments not to approve any new coal-to-oil projects.

The new restriction presents coal giants such as Yanzhou Mining Group, which already has several CTL projects under construction, with a big challenge, said China Coal Information Institute President Huang Shengchu.

Sasol said on Sept 7 it had suspended its indirect coal liquefaction project with Shenhua in Yulin, Shaanxi province. The project had been expected to cost $5-$7 billion and achieve an annual capacity of 3.6 million tons.

"The NDRC's notice has darkened prospects for CTL investors in China", Huang said.

Rising crude oil prices had sparked huge investor interest in CTL over the past two years.

Some local governments and enterprises have already started coal-to-oil projects, including major coal mining groups such as Inner Mongolia-based Yitai Group, Shandong-based Yanzhou and Shanxi-based Lu'an.

China is a country with rich coal reserves, which satisfy 70 percent of the country's energy needs. "The main reason China sought to obtain oil from coal was to help ensure energy security," said Shenzhen-based Fortune Securities analyst Zhang Ke.

The Shenhua plant that is already operational is expected to convert 3.5 million tons of coal into 1 million tons of oil products annually.

That's the equivalent of about 20,000 barrels a day, while China's daily oil consumption in China is around 7.2 million barrels.

Inner Mongolia had been planning to turn half of its annual coal output into CTL and other chemicals by 2010, requiring around 135 million tons of coal.

However, CTL "is not suitable to be developed on a large-scale basis due to environmental concerns", said Zhang.

Environmentalists are concerned about the huge amounts of water required by the process and its large carbon dioxide emissions.

Every three to five tons of coal can be converted into one ton of oil products such as diesel for cars, while in the process about 10 tons of water is needed to produce every ton of oil products, according to a report by Bohai Securities.

Many regions with large coal reserves have long-term drought problems, meaning that CTL projects would put great pressure on the local environment. In addition, this lack of water would also limit the long-term development of the CTL industry.

Though CTL technology was developed about 100 years ago, it has been only used by Germany and South Africa when those two countries had difficulties obtaining oil.

Sinopec, PetroChina Oil-Refining Losses May Narrow

October 28 (Bloomberg) -- China Petroleum & Chemical Corp. and PetroChina Co., the nation's biggest oil companies, will probably post smaller refining losses in the third quarter after crude prices fell from July's record.

Operating losses at China Petroleum's refining division may narrow 42 percent to 34.4 billion yuan ($5 billion) in the third quarter from the April-to-June period, said Aochao Wang, an analyst at UOB Kay Hian Ltd. PetroChina's refining losses may ease 54 percent, said Gordon Kwan, an analyst at CLSA Ltd.

Crude oil prices have fallen from a record $147.27 a barrel reached on July 11, benefiting China's state-run refiners, which are unable to raise prices to pass on costs. The outlook for PetroChina and Sinopec, as China Petroleum is known, is starting to improve just as falling oil prices erode profits atRoyal Dutch Shell Plc and BP Plc. Billionaire Wilbur Ross said last month he may buy refiners' shares as oil falls below $100.

``If the oil price remains stable at $75 a barrel, the refining margins at Sinopec and PetroChina will be $25 a barrel and $18 respectively, which will be the highest levels in the history of the two companies,'' said UOB's Wang, who has buy ratings on the shares of both companies.

Sinopec and PetroChina will report third-quarter results tomorrow.

Crude Prices

Benchmark crude oil prices in New York averaged $118.22 in the third quarter, up 57 percent from a year earlier. The December futures traded at $63.52 a barrel at 15:48 p.m. in Hong Kong. PetroChina Chairman JiangJiemin said on Oct. 21 he wants to see oil prices at about $80 a barrel. The refining unit will make a profit in November, he said then.

Sinopec's third-quarter profit probably fell 62 percent to 5.2 billion yuan from 13.6 billion yuan a year earlier, according to the median estimate of the three analysts surveyed by Bloomberg News. That's more than double its second-quarter profit of 2.19 billion, helped by higher fuel prices.

China, the world's second biggest oil-consuming nation, raised gasoline and diesel prices by at least 17 percent in June to help refiners cut losses. The government controls fuel prices to limit their impact on inflation in the world's fastest-growing major economy.

PetroChina's Profit

PetroChina may say profit rose 22 percent to 30.2 billion yuan from the April-to-June period when it releases third- quarter numbers for the first time, according to the analysts. Losses at the company's refining unit may narrow to 18.5 billion yuan from 40 billion yuan, said Kwan, the head of China energy research at CLSA.

``With crude prices falling further in the fourth quarter, we estimate much better numbers in the

October-December period,'' Yin Xiaodong, an analyst at Citic Securities Co., said by phone in Beijing.

Sinopec shares rose as much as 13 percent, the biggest gain in two weeks, to HK$4.26 and were traded at HK$4.17 as of 15:50 p.m. in Hong Kong. PetroChina shares climbed 11.53 percent to HK$4.74. The benchmark Hang Seng Index rose 13 percent.

Oil has fallen because of concerns a global recession and the worst financial crisis since the Great Depression will cut demand. Declining fuel demand in the U.S., the world's largest importer of crude, caused a 28 percent oil-price plunge in the third quarter.

As crude oil prices drop, Shell and BP, Europe's largest oil companies, may say third-quarter earnings fell from record second-quarter profits when they post earnings later this week. The companies may also scale back investment plans, according to a Bloomberg survey of eight analysts.

Spending Cuts

In contrast, PetroChina has no plans to cut capital spending. The company may buy energy companies weakened by the global credit crisis, ChairmanJiang Jiemin said in October.

Sinopec's operating profit will increase 0.08 yuan per share, or 6.94 billion yuan, with every $1 drop in oil prices, according to UOB's Wang. Each $1 increase in crude will add $400 million to Exxon Mobil Corp.'s net income, according to public filings. The world's largest oil company along with Chevron Corp. may say third-quarter profit rose to a record when they report earnings on Oct. 30 and Oct. 31 respectively.

Shares of PetroChina and Sinopec have dropped more than 60 percent in the past year. Shell is down about 31 percent in the same period while BP's stock has declined 26 percent.

PetroChina to increase investment in oil, gas

October 21 (China Daily) -- BEIJING - PetroChina Company Limited will increase its investment in its oil and gas business from 60 to 70 percent in 2009, said company chairman Jiang Jiemin on Tuesday.

PetroChina's losses during the global financial crisis are "limited and under control", Jiang told reporters after a shareholders meeting. He said it's because the company has focused the majority of its business on oil and gas production and exploration in the past few years.

According to Jiang, PetroChina may adjust its investment structure but will continue to strengthen its core business as oil and gas projects are to last generally six to eight years.

PetroChina's investment in 2009 will focus on finding more oil and gas resources.

Jiang said PetroChina is also studying the possibility of acquiring energy companies made vulnerable by the global credit crisis both in the capital market and the resources market.

PetroChina's assets are good and the company has no difficulty finding financing, said Jiang.

He added that the company's assets-liabilities ratio is less than 30 percent, much lower than that of international counterparts such as BP and Shell.

The investment plan for this year, which was approved at the shareholder's meeting, will not be adjusted in order to avert risks, Jiang said.

Current international crude prices will bring profits to PetroChina's refining sector. US$75 per barrel will be good for the company to maintain a healthy and stable profit level, said Jiang.

Soaring crude prices and domestic fuel price caps cost PetroChina 59 billion yuan (US$8.63 billion) in the oil refining and sales sectors in the first half of the year. Compared to the same period last year, the company made nearly 4 billion yuan in profit.

International crude prices fluctuated wildly amid worries of a widespread credit crisis and reduced demand for oil. For example, benchmark oil prices in New York falling about 50 percent from a record US$147.27 per barrel on July 11.

Jiang said PetroChina wanted to see oil prices at about US$80 per barrel.

As the president of China National Petroleum Corp. (CNPC), PetroChina's parent company, Jiang Jiemin said that CNPC will continue to purchase A-shares of PetroChina in line with the country's regulations.

As the share price of PetroChina in Shanghai and Hong Kong are related, CNPC has purchased some H-shares of PetroChina as well, he said.

CNPC purchased 60 million A-shares of PetroChina on September 22.

Jiang said, CNPC will benefit from PetroChina's stable bonus awarding and is confident in PetroChina's future value on the stock market.

Since listed in the Shanghai stock market in November last year, PetroChina has seen its stock price slide from a debut of 48.6 yuan (US$7.11) per share to a little more than 10 yuan, which has caused investor complaints.

Listed in Hong Kong, New York and Shanghai, its price in the A-share market was 11.90 yuan per share and 6.45 Hong Kong dollars on Monday.

CNOOC Q3 oil, gas output rise 15.2%

October 29 (Xinhua) -- China National Offshore Oil Company Limited (CNOOC Ltd) announced Tuesday that it's net oil and gas output in the third quarter of 2008 rose by 15.2 percent over the same period last year.

The state-owned offshore oil producer said that its unaudited total revenue was 30.9 billion yuan ($4.5 billon) for the third quarter, representing a year-on-year increase of 69.1 percent.

The company's unaudited oil and gas revenue for the third quarter reached 30.5 billion yuan, up 67.9 percent from a year ago. For the first three quarters, the company's unaudited total oil and gas revenue hit 84.95 billion yuan with a year-on-year increase of 65.3 percent.

Soaring oil price in the first three quarters and rising oil and gas output contributed a lot to the revenue rise of the big oil producer.

According to CNOOC Ltd, the company achieved a total net daily oil and gas production of 549,589 barrels of oil equivalent (BOE) in the third quarter, including 480,857 BOE per day in offshore China and 68,732 BOE per day overseas.

The company's realized crude price for the third quarter increased by 58.7 percent to 106.94 per barrel US dollars. Its realized gas price was $3.83 per thousand cubic feet, a year-on-year growth of 11.7 percent.

CNOOC Ltd said it found four new oil and gas fields in the third quarter with two new projects starting production and seven appraisal wells were made.

For the third quarter, the capital expenditure of the company rose by 44.9 percent to 10.19 billion yuan, according to the company.

CNOOC Ltd. witnessed its net profit rise by 89.3 percent to a record of 27.54 billion yuan in the first half.

CNOOC Ltd. is the major listed subsidiary of China National Offshore Oil Corporation (CNOOC), China's largest offshore oil producer.

Beijing hikes prices for gas, diesel oil

October 7 (Xinhua) -- Beijingers are paying more for gas and diesel oil Tuesday. As of midnight, prices were up eight percent.

Beijing Municipal Commission of Development and Reform issued a release about the price hikes late Monday. It said, benchmark prices for gasoline and diesel oil would be hiked 200 yuan ($29.22) and 290 yuan per ton, respectively.

After the adjustment, gasoline 93, the most commonly used type of gas, now sells for 6.37 yuan per liter, up 0.17 yuan from Monday. Gasoline 97 now retails at 6.78 yuan per liter, compared to 6.60 yuan before the adjustment.

In the meantime, retail prices for zero and minus 10-type diesel oils rose by 0.27 yuan and 0.28 yuan to hit 6.5 yuan per liter and 6.89 yuan per liter, respectively. Gasoline 90, and diesel oils minus 20 and minus 35 also went up in cost.

According to an official with China National Petroleum Corporation North China Branch, the cost increases were not large.

"Unlike the national price adjustment taken on June 20, the price hikes this time are regional ones which are meant to offset increased costs borne by oil companies for providing the Beijing market with improved processed oil products conforming with IV European standards," said the official under condition of anonymity.

The municipal government said, since the adoption of the IV European standards, there had been notable improvement in air quality in the national capital.

Beijing Municipal Commission of Development and Reform promised to subsidize agriculture, forestry, mass transit and the taxi industries to reduce the impact of higher gas prices. It is also urging regulatory organizations to work hard to maintain a normal market by stepping up inspections and dealing with price violations.

The price hikes were frowned on by private car drivers. Liu Min, a resident who drives to work every day said, "I have been using gasoline 93 and I have to pay an extra 50 yuan per month because of the price hike. Take into consideration the new car ban policy that will become effective on Saturday, I don't think it's worthwhile to drive to work."

Beijing announced a series of post-Olympic car restrictions which will take effect this month. They are aimed at reducing traffic and pollution.

Under the new traffic restrictions, 30 percent of government vehicles will be take off roadways as of October 1, said a circular issued by the Beijing municipal government September 28.

The remaining 70 percent of government vehicles, as well as all corporate and private cars, will take turns off the roads one out of five weekdays starting October 11.

Cars with plates ending with 1 or 6 are banned on Monday. Those ending with 2 or 7 will be banned Tuesday, 3 or 8 Wednesday, 4 or 9 Thursday and 5 or 0 Friday. The ban does not apply on weekends.

The ban is applicable within the Fifth Ring Road from 6 am to 9 pm for private cars and round the clock for government and corporate vehicles.

The new restrictions will take effect on a trial basis on October 11 for six months until April 10. It does not apply to police wagons, ambulances, fire engines, buses, taxis and other public service vehicles.

Climate Change and Air Pollution

China urges developed nations to spend more on tackling climate change

October 29 (Xinhua) - Developed countries should take the lead in reducing greenhouse gas emissions that are blamed for global warming and climate change, said a Chinese government white paper published on Wednesday.

Rich countries should spend at least 0.7 percent of their gross domestic product (GDP) helping developing nations address climate change, a senior Chinese economic planner said when explaining the policy paper.

"But till now, their spending is far below that level," Xie Zhenhua, vice director of the National Development and Reform Commission (NDRC), said.

In the white paper titled "China's Policies and Actions for Addressing Climate Change", the government stated that developed nations should provide financial support and transfer technologies to help developing countries fight against global warming.

Developing countries, while building their economies and fighting poverty, should actively adopt measures to adapt to climate change, reduce their emissions to the lowest degree and fulfill their duties in addressing climate change, according to the white paper.

Rich nations should take the major responsibility for climate change as their greenhouse gas emissions from 1950 to 2000 accounted for 77 percent of the world total, said Xie.

"Developed countries must demonstrate to the developing world their commitment to tackling climate change through strong targets and that low-carbon growth is both feasible and affordable," Nicholas Stern, former chief

economist of the World Bank, said in a conference in Beijing on October 23.

China's emissions of carbon dioxide, a major greenhouse gas from fossil fuel burning, accounted for eight percent of the world total from 1904 to 2004.

"According to our data, China's current total emissions are almost as the same as that of the United States," Xie told reporters. "Whether or not we have surpassed the U.S. in emissions is in itself not important. We should look at the issue fairly and from a historic view."

"If our total emissions were at the same level, the per capita emissions in China, home to a population of 1.3 billion, would be one fifth of that of the US," he said.

In addition, some 20 percent of the country's greenhouse gas emissions resulted from the production of its exports to developed countries as it is the "factory of the world".

China admitted that it was difficult to control greenhouse gas emissions because of the ongoing industrialization process and its coal-dominated energy mix.

Xie said the country was in the process of industrialization and urbanization when emissions were usually high, a natural rule experienced by rich nations earlier.

"To advance further towards its development objective, China will strive for a rational growth of energy demand," said the white paper. "The coal-dominated energy mix cannot be substantially changed in the near future, thus making the control of greenhouse gas emissions rather difficult."

"The Chinese government pays high attention to the issue of climate change," Xie told the briefing.

The government has set targets on energy conservation and pollution reduction to achieve a sustainable growth. Measures designed to meet the targets include closures of out-dated production facilities, use of energy efficient equipment and clean energy.

"China has taken substantial efforts to mitigate carbon emissions and achieved marked progress. The momentum will be maintained in the future," He Jiankun, director of laboratory of low carbon energy at Qinghua University.

China pledged to play a constructive role in rolling out a new global initiative on tackling climate change after the Kyoto Protocol expires in 2012. The protocol, which the U.S. refused to ratify, has no mandatory emissions cuts targets for the developing countries.

"We will play the same constructive role in climate change conferences in Boznan this year and in Copenhagen late next year as we did in Bali," he said.

China would put forward its propositions on the establishment of a mechanism for technology transfers at the Beijing High-Level Conference on Climate Change on November 7 and 8, according to Xie.

In 2004, China released for the first time data on greenhouse gas emissions in 1994. The government was working on the second release of such data, he said, without elaborating.

Green law 'must be enforced'

October 30 (China Daily) -- An independent team should be set up to ensure the law on environmental impact assessments is properly enforced, a senior legislator said Monday.

Speaking at a legislative session in Beijing, Chen Zhili, vice-chairwoman of the Standing Committee of the 11th National People's Congress, said lawmakers spent June and July field-testing the Law on Environmental Impact Assessment and found several problems with it.

The law, introduced in December 2002 to assess the potential environmental threat of all new construction projects, has been subject to "frequent violations", she said.

"The problem is that some of the intermediary agencies that conduct environmental impact assessments are allied in some way to environment bureaus this sort of nepotism is prohibited under the law," she said.

"If the system is not changed, the justice of the law itself cannot be guaranteed."

The answer is to establish an independent team to undertake the assessments, she said.

"In line with the reform of government agencies, it is suggested the link between the intermediary agencies and the environmental bureaus is cut, so that a truly independent team can be established according to the law."

Between 2003 and last year, environment officials across the country reviewed more than 1 million construction projects, Chen said.

Between 2006 and last year, almost 400 schemes were suspended for pollution violations, yet 10 percent still went ahead without authorization, she said.

Local governments regularly violate the policies issued by the environment ministry, she said.

Last year alone, the ministry discovered 51 local regulations that directly contradicted the law, Chen said.

Some local leaders still put GDP growth ahead of environmental protection, and they are getting away with it, she said.

Huang Xihua, vice-director of the Huizhou environmental protection bureau in Guangdong, agreed.

"The law is weakly implemented at lower levels because it all depends on the awareness of the local leaders," she told China Daily yesterday.

"If they receive no government funding, they have to resort to dirty industry: putting GDP growth ahead of the environment," she said.

Climate change talks 'must continue'

October 24 (Xinhua) -- China and Denmark discussed cooperation on climate change issues during a meeting in Beijing yesterday.

Addressing the meeting, Danish Prime Minister Anders Fogh Rasmussen said the current global economic crisis should not be a cause for delaying action on climate change.

"No doubt, the financial crisis will be used as an excuse to water down the climate change agenda," Rasmussen said.

He said increased spending on environmentally friendly technology could help stimulate an economic rebound.

As the host country of the United Nations Climate Change Conference in 2009, Denmark is seeking support from China.

Xie Zhenhua, vice-minister of the National Development and Reform Commission, in charge of climate policies, said: "As a responsible developing country, the Chinese government attaches great importance to the issues of climate change.

"China is stepping up its efforts to control and reduce greenhouse gas emission."

As the country strives to reach the domestic target of reducing energy intensity by 20 percent from 2006 to 2010, Xie estimated this year will witness at least 4 percent year-on-year reduction in energy consumption per unit of gross domestic product (GDP), a bigger step forward than the 3.66 percent reduction last year.

Rasmussen is offering China advanced technologies on clean and renewable energy. He is accompanied by five top Danish companies - Novozymes, Arkitema, Danfoss, Grundfos and Vestas.

The companies deal in enzymes, passive building designs, energy-conserving temperature control systems, and pump and wind power plants.

If China could adopt the technologies, it could reduce 800 million tons of carbon dioxide equivalent annually by 2020, a report released yesterday by McKinsey & Co said.

Steen Riisgaard, president and CEO of Novozymes, a leading enzyme producer, said: "Biotech will allow China to produce more than what it can get from the petrochemical industry."

Niels Christiansen, president and CEO of industrial conglomerate Danfoss, said: "We are very proud of our presence and growth in China since our entry in the mid-1990s. With production and R&D centers in China, our

annual sales are about 2.8 billion yuan ($411.7 million) and we have 3,000 employees."

Carsten Bjerg, CEO and group president of Grundfos, a leading pump manufacturer, said: "The China market is incredibly important to us - we see it as our second home market."

Greenpeace: Climate change threatens China's food safety

October 16 (China Daily) -- China is likely to face inadequate food supply by 2030 if the current climate change trend continues, warns a new Greenpeace report released Wednesday.

If the emission of greenhouse gases (GHG) continues to be high, the impact of climate change - including rise in temperature, loss of arable land, shortage of water and extreme weather - could reduce China's overall food production by 23 percent by 2050, the report said.

"China's agriculture sector is already suffering from the impact of climate change," said Lin Erda, a senior researcher with the Chinese Academy of Agricultural Sciences. For instance, winter wheat grown in the northern part of China has become less resistant to cold because of warmer winters during the past several years.

This has made it more vulnerable to freezing temperatures in early spring and thus reduced productivity, said Lin, who is also one of China's top climate experts.

As much as 50 million hectares of crops in China are threatened by climatic disasters every year, the Greenpeace report says.

China's ability to adapt to such changes is still weak because it lacks state-of-the-art technologies and financial support, Lin said. The country needs "new technologies to solve these new problems" and, as a developing nation, needs the help of the developed world to fight the threats of global warming.

There is a huge gap between the developing countries' need for financial support and what the developed countries offer at present, Lin said.

The report, commissioned by Greenpeace and prepared by China's top climate experts and agronomists, calls for immediate action to reduce GHG emissions and adopt a more climate-friendly farming system.

The report identifies "ecologically friendly" agriculture as a possible solution for China to feed the world's largest population in a sustainable way. Ecological agriculture encourages reduced dependence on fertilizers and pesticides to maintain soil fertility. It uses biogas to cut carbon dioxide emission, and helps increase biodiversity in farming to prevent plant diseases.

Compared with the destructive chemical and fossil-energy intensive agriculture, ecological farming can better fight the threats of climate change, Lin said.

Climate Exchange to boost emission trading

October 27 (China Daily) -- A month after two environment and energy exchanges opened virtually simultaneously in Beijing and Shanghai in August, an environmental trading platform was established in Tianjin municipality, one of most vigorously developing cities in China.

The newly unveiled Tianjin Climate Exchange (TCX) is a joint venture of US-based Chicago Climate Exchange (CCX), China National Petroleum Corporation Assets Management Co Ltd (CNPCAM) along with Tianjin Property Rights Exchange (TPRE).

China's 11th Five-Year Plan (2006-10) calls for cutting energy consumption per unit of GDP up to 20 percent by 2010 while reducing major pollutants, such as sulfur dioxide (SO_2) by 10 percent.

TCX will start trading next year. Initially, the exchange will be focusing on trading on major pollutants, such as sulfur dioxide (SO_2) and chemical oxygen demand (COD) and so on.

It will auction registered and issued certified emission reductions (CER) and verified emission reductions (VER), in a bid to further improve the country's "green efforts".

Entities who are able to cut extra emissions can sell "credits" to others unable to reach their targets.

Companies can economically reduce SO2 or other pollutants and are allowed to sell emissions rights to those that cannot.

Gao Luan, director of TPRE and vice chairman of TCX, says emissions trading is a good way to build up an environmentally-friendly society through market-orientated operations.

Richard L Sandor, chairman and CEO of CCX, says: "Emerging economies struggling to balance the need for economic development with the need for a cleaner environment are beginning to consider market-based mechanisms such as emissions trading to address local air quality and global climate change."

CCX is the world's first and the only voluntary and legally binding greenhouse gas emissions allowance trading system and began trading operations in 2003. It is also the world's only global system for emissions trading based on all six greenhouse gases.

According to a report by the International Energy Agency (IEA), China will become one of the largest contributors to global increases in energy use and emissions by 2030.

About two and a half year ago, Sandor, who is often regarded as the "father of financial futures" worldwide, started thinking about getting involved in China's green campaign.

"When China is getting very aggressive in combating climate change and environmental deterioration, I think there are good opportunities for us to promote our knowledge and 20-year experiences in the environmental sector," he says.

Located at Tianjin's Binhai New Area, TCX will implement the Binhai Comprehensive Reform Plan, approved on March 13, 2008 by the State Council to facilitate the clean development and establish an emissions trading market.

In 2006, Tianjin Binhai New Area was designated by the State Council as the national experimental zone for comprehensive reforms for financial innovation, land and administrative management.

Tianjin Property Rights Exchange says it will take advantage of its membership and networks to expand its emissions trading business to other provinces and regions.

Sandor says TCX will be an exchange designed to be in line with China's energy-saving and emissions reduction goals, current technologies and demands.

"Because every culture has their own way of looking at the environment, including problems, so we need Chinese partners to co-develop the program," he says.

TCX's members include entities with mandatory emissions or energy reduction requirements, liquidity providers who are not required to reduce their emissions and energy consumption, along with auction participant members.

"The trading will serve as an impetus for companies to upgrade their technological prowess to be more efficient," Sandor says.

"It's not easy to set up such a joint venture", he admits. "But we did it after we spent two and a half years explaining what value we add and how we can help China."

Sandor and his colleagues have been talking to authorities, industry insiders and giving lectures at universities about emissions trading.

"In China, we are at the beginning," Sandor says. "We think it is very promising. It just takes time."

In August, Beijing Environmental Exchange and Shanghai Environmental and Energy Exchange were launched.

Xiong Yan, president of Beijing Environment Exchange, says their current focus is environmental protection technologies.

While Beijing Environmental Exchange is planning to introduce SO2 and water pollutants trading and trading carbon emissions, but says policies in the two areas are not yet mature enough.

Emissions trading can reap benefits only when it operates under a mature market-orientated mechanism, say experts.

Xiong says that unified energy and environmental trading market needs incentives and proper management.

Officials from Shanghai Environment and Energy Exchange say there will be no competition among the three exchanges, and they don't exclude the possibility of cooperative relationships in the future.

They say that several exchanges will improve the whole trading scale in the country and be good for its energy saving and environmental protection.

Chinese firms newest members of global environment body

October 28(China Daily) - Three Chinese companies have joined The Climate Group (TCG), an environmental watchdog and advocator of a low-carbon economy, the London-based non-governmental organization (NGO) announced on Friday.

China Mobile, Broad Air Conditioning Holdings and Suntech Power were the first Chinese mainland partners to join the movement to cooperate on environmental issues.

"China is a vital ally in the fight against global warming," said ex-British prime minister Tony Blair in a letter of congratulations.

Blair, TCG initiator, expressed his hope the Chinese members would mobilize more global business leaders to cut emissions and realize the economic benefits from advancing the global low carbon economy.

"We need leadership from everywhere (in the world) to solve environmental problems," TCG head Steve Howard said in Beijing.

The body would ensure its membership worldwide and would keep their leadership in promoting the low carbon economy in their own business fields, as well as cooperating with like-minded enterprises to initiate a series of programs on environmental protection, according to Wu Changhua, the group's Greater China director.

"The involvement of the Chinese companies not only helps attract their domestic counterparts to follow in their steps and set up a sustainable business model, but also helps the international community better understand China's positive role in solving climate change issues on a global level," she said.

All of the new members have played an active role in the country's campaign for energy efficiency and emissions reductions launched in 2006. Telecom giant China Mobile won a government award for environment protection last year for its leadership in recycling used cell phones and their components.

Broad Air Conditioning Holdings is known for its development of energy-saving technologies in air conditioners. "Every Broad air-conditioner mainframe could help cut carbon dioxide emissions by as much as 2,000 tons each year," a company report said.

Based in the coastal Jiangsu province, Suntech Power gained a reputation as the country's leading developer of solar energy. It was listed as the world's third largest solar battery producer.

Speaking at the ceremony to welcome the new members, Wu Jianmin, president of Paris-based Bureau International des Expositions, an intergovernmental regulatory body of world exhibitions, said a low carbon economy with the development of renewable resources would become China's new growth point.

Founded in 2004, TCG focuses on climate-change solutions. It has established membership with more than 50 world governments and business groups, including New York State, HSBC and Virgin Airlines, among others.

Guangdong faces warming threat

October 30 (China Daily) -- GUANGZHOU: The average temperature in Guangdong could rise by 5.7 C from 2011 to 2100 unless it turns to greener methods to sustain its economic growth, experts have warned.

The temperature will rise by 1 C between 2011 and 2040, by 1.9 C between 2041 and 2070, and by 2.8 C between 2071 and 2100, Lin

Xianmin, deputy director of the provincial meteorological administration, said at a forum on Tuesday.

The warming will be faster than in the past five decades, when the average temperature climbed 1.05 C, he said. The average temperature in Guangdong last year was 22.5 C.

Guangdong's rise as one of the world's largest manufacturing bases should be blamed for the rise in temperature, Lin said, because it has resulted in "high energy consumption and greenhouse gas emission".

Accounting for one-eighth of China's GDP and one-third of the country's exports, Guangdong has experienced an average of more than 70 hazy days a year for the past three years. The number is almost three times that of the early 1980s.

The province's main manufacturing cites such as Dongguan, Foshan, Shenzhen, Guangzhou and Zhaoqing experienced more than 100 hazy days last year. Dongguan led with 213.

Jiang Kejun, director of energy system research office under the National Development and Reform Commission, called for a low-carbon economy to undo the damage.

Guangdong should not count on natural resources and go in for labor-intensified manufacturing industries, he said. Renewable and clean energy, such as wind and nuclear energy, should power its economy in future and green awareness among the public should be enhanced.