China's power demand shrinks on export decline

Oct. 14 – China's power output hit 2.5909 trillion kwh in the first three quarters of this year, up 11.74 percent on year, but slower than the 16.4 percent growth a year ago, said Xie Juchen, director of the Fuel Association of China Electricity Council.

Power output in September alone reached 287.177 billion kwh, up 8.92 percent on year.

Xie attributed the decrease to economic slowdown, demand reduction, power undersupplying, natural disaster and compulsive production shut in some enterprises during Beijing Olympic Games.

China's power output growth posted apparent deceleration since June with the 5.14 percent growth in August, the lowest record over the past eight years. Included was thermal power output up only 1.8 percent on year.

Xie noted that power output growth had been below 10 percent for three consecutive months since July.

He forecast that the growth might stand between 9-10 percent in the rest months of the year. The overall power generation is estimated to growth no higher than 10 percent this year, 3-4 percentage points lower than the previous year.

Xie said that China plans to add 90 million kw installed capacity in 2008 to lead the country's total installed capacity topping 800 million kw. Included are thermal power generating units, accounting for 78 percent of the total.

China's power consumption grew only 5.38 percent in August resulted from the slowdown in the export-oriented consumption in coastal areas.

Meanwhile, the power output was up 5.1 percent in August, supported by hydropower. The thermal power output was up merely 1.8 percent.

According to Guangzhou South China Coal Trade Center, coal price is expected to slide down shortly. The future trend still needs observing in accordance with the enforced safety examination to small coal miners, the integration of coal companies that may curb coal output growth, and seasonal factors. With the approach of winter season, hydropower generation will slow down. Coal price will rise as demand is up.

The government is expected to keep on adjustment to the power price as a backup to making the power companies' profitability back to normal.

Power price was adjusted twice this year.

China's power industry made a total profit of 19.32 billion yuan in the first eight months of 2008, down 81.6 percent on year, according to latest statistics released by
the National Bureau of Statistics.

Included were 93.6 percent decline in power generation industry, 53.5 percent decline in power supply sector and 147.5 percent decline in thermal power generation industry.

Sharp rise of power coal price is believed to be the major reason for the profit decline in power industry, and the positive effect of the previous two upward adjustments in on-grid electricity tariff haven't shown up.

Analysts predict that both retail and on-grid electricity prices will be raised by at least 5 percent in the 4th quarter of 2008 for the great loss of thermal power industry, which might threat the survival and development of the whole power industry.

Insiders assume that the price adjustment may start from retail electricity price though the industry regulator hasn't expressed clear stance.

The high market price of power coal will remain as the major factor to affect the profitability of power industry in 2008 and 2009, analysts believe.

However, some analysts still hold optimistic view on the profitability of power generation industry. The fallback of power demand and increasing coal inventory have led to sharp decline of coal price recently, which will help power industry jolt out of difficulty.

In the 4th quarter, the previous two tariff rises this year are expected to take effects and operating performance of the power industry will see a rally on a month-on-month base.

The Chinese government should introduce measures to subsidize money-losing power companies as current power prices cannot cover production costs, an official of China Electricity Council (CEC) raised the proposal at a conference held by the Ministry of Finance.

The CEC official said the government should cut value-added tax or rebate value-added tax on power companies, or increase loans to them to enrich their cash flow, or subsidize them since the latest round of power price adjustment on August 20 raised on-grid power prices whilst kept sales prices intact.

A report by CEC, a government-sanctioned association set up in 1988 and operating under the State Electricity Regulatory Commission, says that power companies suffered huge losses from this year’s natural disasters as severe snow storm in the south in the year beginning and strong earthquake in southwest China in the middle of the year.

The snow storm wiped 10.45 billion yuan off State Grid, 5 billion yuan off China Southern Power Grid, and 61.3 billion yuan off power generation companies directly under administration of central government, according to the report.

State Grid lost another 12 billion yuan in the earthquake.

China’s top economic planner the National Development and Reform Commission (NDRC) began to intervene in taming soaring power coal prices this June, but only to see power coal prices keep on rising to double 2007 level to break 1,000 yuan per ton at major coal trading center Qinhuangdao and the upward momentum is still going on.

Analysts, however, point out that tighter credit-induced higher financial cost also contributes to power generation companies’ losses, apart from natural disasters and
rising coal prices.

NDRC has stepped in to sort out the contradictions between coal and power prices thrice since this June, resulting in discouraged coal producers supplying power companies with lower-priced but lower-graded coal.

The current situation is that the more a power company produces, the more it losses. Profit margins of power grids are also very thin.

It is very urgent for the government to raise power prices again or introduce financial subsidizes, says an expert with CEC.

In the first half, the country’s top five power generation companies except China Huaneng Group all reported losses. Multiple markets-listed Huaneng International under China Huaneng Group also recorded losses in the period.

Coal market allows of no optimism in short term

Oct.14 – China's coal market allows of no optimism in the coming months due to the shadow cast by worries over the falling economy, according to experts.

Wang Teng, a coal export said that so far oversupply has appeared on China's domestic coal market. Meanwhile, the decline of steel price is larger than that of coal price, casting more pressure on the coal price.

So far China's domestic coal price only fell by 10-20 yuan/ton.

Wang deemed that there are two factors that support the current coal price, namely, the big coal demand for winter heating, and the abundant capital domestic coal enterprises have accumulated in the first half.

Wang predicted coal price for winter heating would not rise sharply in the rest of 2008 but would keep the current level or drop slightly.

Wang said that China's imported coal is likely to increase due to the decline of international coal price and the drop of ocean freight, which will press the domestic coal price further.

China's coal price is expected to adjust down remarkably around June next year.

Enditem

China's coal output reached 222 million tons in Aug. and 1.708 billion tons in Jan.-Aug., up 12.1 percent and 14.7 percent on year, respectively, according to statistics released by the National Development and Reform Commission.

Meanwhile, Customs statistics show that in the first eight months, China exported 33.64 million tons of coal, up 0.3 percent on year, and imported 28.68 million tons, down 18 percent, with net export of 4.96 million tons, compared with net import of 1.46 million tons in the same period of 2007.

By the end of Aug, coal inventories for power plants stood at 27.95 millions, an increase of 8.33 million tons from a month earlier and basically at the normal level. The coal industry made a total profit of 139 billion yuan in Jan.-Aug, up 1.4-fold on year.

China's ex-factory price of coal averaged 834 yuan/ton in September this year, equal to the level in August, statistics provided by the National Development and Reform Commission (NDRC) show.
The trimming price of power coal at Qinhuangdao Port was 891 yuan/ton, up 9.66 percent month on month. Affected by economic slowdown and decrease in demand for power, market price of power coal will slip from high levels.

According to NDRC statistics, the price of power coal was 564 yuan/ton in September, rising 1.43 percent month on month; and that of coking coal, 1,195 yuan, down 0.54 percent.

The ex-factory price of coal in major coal producing provinces was 833 yuan/ton in August, up 14.44 percent from July. Comparing the figures in August and September, one may find that coal price has silently shown a turning point in September.

And allowing for slowdown in growth of downstream sectors, sluggish market demand for coal, increase of supply, lowering of coal prices and freight charge on the international market, and recent drop of prices of various coal in China, this trend may continue, an industrial insider predicts.

Slack demand has led to drop of prices. But experts still favor contract price of power coal for 2009, and retain their judgment of a 15 percent growth year on year.

It is expected that the price of coking coal will go on dropping in step with growth slowdown of steel industry, and may drop 300-400 yuan/ton to dip the price level of 1,500 yuan/ton within 2008.

The coal price of Qinghuangdao port, China's major coal port, fell by 20 yuan/ton in September as coal inventory keeps piling up.

The coal price nosedives is closely linked with the international economic downturn, says Zhang Yong, an official with China National Coal Association (CNCA). What's more, the weaker domestic demand for coal in the second half leads to coal hoarding and price fall.

Another factor to drag down coal price is oil price drop. The less oil demand in the second half dampened market confidence and caused price of related products to slide.

As the peak season for power consumption is over and economic growth in downturn, coal demand is also shrinking, some analysts hold.

The price of raw coal in circulation in August dived by 2.7 percent from a month earlier, the first drop since April.

Statistics show that it exported 33.64 million tons of coal in the first eight months, up 0.3 percent year on year. The coal export value amounted to 3.36 billion US dollars, up 75.6 percent.

Included were 3.37 million tons of coal exported in August, down 1.41 million tons from July and 3.62 million tons from June.

China has up adjusted the temporary export tariffs for coking coal from five percent to 10 percent. It started to collect 10 percent export duty on other coal products including bituminous coal on August 20, in an effort to avoiding side effect cast to the downstream industries due to coal price rise.

Meanwhile, China has cut down coal export quota this year.

According to insiders, along with further rise of export cost, the sharp rising trend...
of China's coal export will be restrained.

Power

Three Gorges reservoir raises water to target level

Oct. 8 -- The water level in the Three Gorges reservoir reached the designated level of 156 meters on Tuesday after 10 consecutive days of water storage operation, improving navigation conditions on parts of China's longest river.

On Tuesday, the water level had risen about 10 meters since Sept. 28 when this year's water storage plan went into operation, said the developer of the massive water conservancy project, the China Three Gorges Project Corporation.

The upper reaches of the Yangtze River has seen 570 km of navigation route improved and a number of harbors increase their capacity for ship docking.

The raising measures came to a halt at about 8 a.m. on Tuesday when the water behind the dam reached 155.5 meters and the reservoir had stored more than 6 billion cubic meters of water.

Whether to raise the water to a higher level is subject to the study of general conditions of the dam area to ensure safety.

At 156 meters, the target water level for the second phase of the grand project, the reservoir could be fully functional in terms of flood-control, power generation and navigation control.

The project previously raised the water to the 156 meter mark twice in 2006 and 2007.

Launched in 1993, construction of the gigantic concrete structure of the Three Gorges dam was completed and began to hold water in May 2006. Previously, the reservoir's temporary cofferdams held water at a depth of around 135 to 139 meters.

The water level in the reservoir is expected to reach 175 meters in 2009 when the Three Gorges project is completed.

The Three Gorges Project, with a budget equivalent to 22.5 billion U.S. dollars, is a multi-functional water control system built at the upper and middle reaches of the Yangtze.

Its main works are a dam, a five-tier ship lock, as well as 26 hydropower turbo-generators.

The Three Gorges dam will have 14 turbo-generators on the left bank and 12 on the right. Combined, they will produce 84.7 billion kw of electricity annually.

There are plans to add six more turbines by 2012.

As of June, 1.24 million residents were relocated to make way for the dam construction.
China improves power network to better prepare against natural disasters

Oct. 14 -- China will speed up the enhancement of its power grid to better prepare against the looming winter, as the specter of devastating snowstorms the country experienced earlier this year still lingers, the National Development and Reform Commission (NDRC) said Tuesday.

Zhang Guobao, vice director of the NDRC, the country's top economic planner, said faced with increasing natural disasters, such as the severe snowstorms and earthquakes, greater challenges were imposed on the safety and stability of the power system.

He added various regions must improve power planning and optimize grid structures to improve their ability against disasters, the sooner the better.

Starting 2009, the anti-disaster ability would be one integral part of grid planning. Reports on new power facility building projects must be made, and with it, necessary protective measures, he said.

China's power output hit 2.5909 trillion kwh in the first three quarters, up 11.74 percent year on year, according to the Fuel Association of China Electricity Council.

But Zhang said despite the quick growth, rescue equipment and operations of the power network were not satisfying enough in event of major natural disasters. The emergency response mechanism was lagging, and the quality of power projects was poor.

The early winter storms starting in mid January affected the central, south and southwest regions over several weeks, resulting in 151.6 billion yuan (22.19 billion U.S. dollars) of losses.

During the monthlong weather chaos that ended in mid February, 36,740 power lines and 2,018 transformer substations broke down.

The May 12 earthquake also cut power from 110 cities and counties across the nation. Enditem

Guodian to float 3.9 bln yuan of finance bills on Oct. 9

Oct. 6 -- China Guodian Corporation announced floating 3.9 billion yuan of finance bills on the inter-bank market with a maturity of 365 days.

According to the company's official website, the short-term finance bills will be issued on nominal value by means of book building and centralized displacement.

Interest will be calculated as from October 10, which is also the date of payment.

The bills and the issuer were rated A-1 with stable rating outlook, and AAA, respectively, by Dagong Global Credit Rating Co.

The proceeds will be used to supplement operation capital and optimise financing mix.

Industrial & Commercial Bank of China Ltd. (601398. SH) and China
Construction Bank Corp. (601939. SH) are the co-underwriters of the issuance. The issuer is a wholly state-owned company and one of China’s five power giants.

**Ertan Hydropower to float 500 mln yuan of finance bills on Oct. 13**

Oct. 6 – Ertan Hydropower Development Company. Ltd. announced Monday floating 500 million yuan of finance bills on the inter-bank market with a maturity of 365 days.

According to the company's official website, the short-term finance bills will be issued on nominal value by means of book building and centralized displacement.

Interest will be calculated since October 14, which is also the date of payment. The bills will be traded on the market since October 15.

The bills and the issuer were rated A-1 with stable rating outlook, and AA respectively by China Cheng Xin International Credit Rating Co. The proceeds will be used in supplementing operation capital and displacing bank loans.

Industrial & Commercial Bank of China Ltd. (601398. SH) is a major underwriter of the issuance.

The bills' registered issued value totals at 1 billion yuan.

The issuer, controlled by the State Development and Investment Corp., specializes in power production and distribution.

**China invests heavily in rural Tibet power stations**

Oct. 6 -- China has invested about 2.9 billion yuan (426 million U.S. dollars) over the past eight years in building power stations in rural Tibet, the Tibet Autonomous Region government said on Saturday.

With the central government investment, Tibet constructed 443 power stations in villages and towns during the period.

Wang Qinghua, the regional electric power bureau head, said 1.93 million Tibetan residents, or 69 percent of the region's total population, had access to electricity, representing a 400-percent increase from three decades ago.

Last year, 180,000 residents, previously without electricity or suffering from power shortages, were connected.

Tibet plans to build another 758 hydropower stations in the near future.

The regional government is making efforts to provide power, housing and safe drinking water to farmers and herders.

During the past two years, the regional government spent more than 1.3 billion yuan to help farmers move into brick houses from their previous wood-and-earth residences, and to help nomadic herdsmen settle.
Shanxi produces more raw coal in Jan.-Aug.

Oct. 14 – Shanxi, China's leading coal-producing province, generated 449.33 million tons in January-August this year, up 14.1 percent year on year, according to the provincial statistics bureau.

Included were 229.01 million tons produced by key coalmines, up 10.9 percent, and 220.32 million tons by ordinary coalmines, up 17.62 percent.

Meanwhile, the province sold 440.35 million tons of raw coal, up 12.05 percent. Included were 213.86 million tons by key coalmines and 226.49 million tons by ordinary mines, up 10.6 percent and 13.45 percent, respectively.

The raw coal sold to other parts of the country reached 376.13 million tons in the first eight months, up 8.79 percent year on year; and that exported came to 14.51 million tons, down 24.23 percent from the year earlier.

At the end of August, Shanxi accumulatively provided 26.05 million tons of raw coals for metallurgical industry, up 33.32 percent year on year; 193.01 million tons for power industry, up 29.2 percent; 19.36 million tons for chemical industry, up 77.94 percent; and 3 million tons for petrochemical industry, up 32.19 percent.

Controllers of coal firms Xishan, Panjiang add holdings

Oct. 7 – Xinshan Coal & Electricity (000983.ZH) announced that its share controller Shanxi Coking Coal increased its holding of Xinshan's 22.57 million shares at an average price of 11.37 yuan per share Monday, accounting for 0.93 percent of the total.

Shanxi Coking Coal plans to increase the holding up to two percent in the next 12 months.

On the same day, Guizhou Panjiang Refined Coal's (600395.SH) parent Panjiang Coal & Electricity increased its listed unit's 547,200 shares. The parent plans to increase holding by no more than 10 million shares in the next 12 months, posting up to 1.68 percent of the total shares.

Share of China's coal producing sector as a whole plunged almost by 10 percent of daily limit Monday, as investors were worried about coal price would decline amid the declining oil price in the international market.

Xinshan Coal & Electricity and Panjiang Refined Coal kept decline trend Tuesday Morning, respectively, ever diving by 7.31 percent and 8.26 percent.
New Energy

China west-to-east gas pipeline sends 42.0 bln cubic meters of gas in five years

Oct. 14 – China's west-to-east gas transmission pipeline, which has a total length of more than 6,200 kilometers, have send 42.0 billion cubic meters of natural gas to the east part of the country in the five years of operation, said sources of the China National Petroleum Corporation.

The pipeline covers more than 70 Chinese cities and 3,000 enterprises, and benefits about 400 million people. The transmitted natural gas is equivalent to about 54 million tons of coal and 21.0 billion kwh of electricity, and also helped reduce harmful matters such as sulfur dioxide of more than 2.50 million tons.

In east China's Shanghai city, natural gas only accounted for 0.9 percent of the total energy consumption of the city in 2002, which reached to four percent in 2007.

Shanghai used five million cubic meters of natural gas for electricity generating this summers, amounting to 25 million kwh. China's natural gas output reached 69.3 billion cubic meters in 2007.

China invests heavily in development of renewable energy

Oct. 7 – China invested a total of 12.0 billion US dollars in development of renewable energy in 2007, ranking second in the world, according to the Guangzhou-based South China Coal Trading Center.

Since the 1980s, China has made much headway in development of renewable energy which refers to non-fossil energy of wind energy, solar energy, water energy, biomass energy and geothermal energy. The country's utilization of renewable energy reached about 220 million tons of standard coal in 2007, accounting for 8.5 percent of the consumption of primary energy, laying a solid foundation for China's to achieve its target for increasing the percentage to 10 percent by 2010.

In 2007, China's installed capacity of hydropower reached 145 million kw, and new installed capacity of wind energy was about 3.40 million kw, adding the total to six million kw.

At the same time, it has achieved remarkable progress in development of biomass energy. The rural mash gas tanks have helped 80 million farmers have access to clean fuel. More than 1,500 large mash gas tanks have been built in the country, producing more than 1.0 billion cubic meters of gas each year. China's renewable energy industrial sector develops rapidly with the government support.
The sector started to enjoy favorable policy in 2006, and received investment topping 12 billion US dollars for its projects in 2007. China has promoted development of wind power via franchise bid. In 2006, China's wind power installed capacity reached 1.33 million kW, more than the total amount in the past twenty years.

In 2007, the installed capacity of wind power increased by about 3.40 million kW to 6 million kW. The solar photovoltaic output has grown rapidly in recent years, and amounted to over 2,000 megawatt in 2006.

The renewable energy is key for China to maintain sustainable economic development, said Shi Dinghuan, chairman of the Chinese Renewable Energy Society.

By 2020, China's renewable energy is expected to take up 15 percent of the total primary energy consumption. That means the installed capacity of hydropower and wind power has to reach 300 million kW and 30 million kW respectively.

According to the current development pace, China's actual installed capacity of wind power will far exceed 30 million kW by 2020, and installed capacity of biomass energy and solar energy will reach 30 million kW and 1.8 million kW respectively.

The amount of China's renewable energy utilized is expected to equal to 600 million tons of standard coal by 2020, which is significant for greenhouse gas reduction and ecological protection.

The Chinese government will further strengthen international exchange and cooperation in renewable energy development. It has formulated plan to promote technology cooperation with foreign government and enterprises, said the source.

**China stresses environment protection in biomass power generating**

Oct. 15 – China has issued a circular requiring further strengthening evaluation management on impact of biomass power generating projects to environment.

It also requires compulsory environment impact evaluation of biomass power generating projects in accordance with law.

The circular is jointly published by the Ministry of Environmental Protection, the National Development and Reform Commission and the National Bureau of Energy.

Biomass power generating mainly uses gases from farm crops and forestry biomass and household garbage burning.

China encourages traditional thermal power plants to carry out technical transformation with fuel mixing with biomass.

According to the circular, construction of biomass power generating projects shall combine local characteristics and advantages, make rational planning, and avoid blind construction of such projects.

Construction of urban household garbage-fired power generation projects shall be based on the overall urban planning, and plans on land utilization and environment and public sanitary.
Construction of straw-fuel power plants shall be located in farm crop concentration areas, while giving consideration to straw output and rational transport scope.

Construction of forestry biomass power generating plants shall be located in forestry areas.

Construction of landfill gas power plants shall be put under the unified plan of garbage landfill grounds.

Construction of mash gas power generating plants shall be linked with large domestic animal and poultry farms.

Gross profit of photovoltaic industry likely to drop

SHANGHAI, Oct. 14 – Shanghai Electric Group Company Limited will transfer 36 percent of the stake it holds over Shanghai Topsola Green Energy Co. Ltd for 138.6 million yuan, sources of Shanghai United Assets and Equity Exchange disclosed.

Before then, Shanghai Electric held 61.35 percent of the shares of Shanghai Topsola.

Through the transfer, Shanghai Electric will "withdraw" from photovoltaic industry in anticipation for weakened support to the development of the industry in near future.

The appraised value for the transfer of the 36 percent of shares of Shanghai Topsola is 135.3277 million yuan; and current premium is 138.6 million yuan.

It is learned that Shanghai Topsola is absolutely a State share controlled company, and one of the two photovoltaic enterprises mainly supported in Shanghai. It is a joint venture of Shanghai Electric, Shanghai Jiao Da Nan Yang Co. Ltd and Shanghai Zhenglong Technology Investment Co. Ltd.

The registered capital of Shanghai Topsola is 313 million yuan. By September 30, 2007, total assets of the company were 696.9243 million yuan, of which fixed assets were 140.2094 million yuan; working assets, 516.6438 million yuan; intangible assets, 27.9235 million yuan; and others, 12.1476 million yuan. Total liability of the company were 321.014 million yuan; and owners' equity, 375.9103 million yuan.

In 2007, the operating income of Shanghai Topsola was 433.447747 million yuan; operating profit, 1.9104 million yuan; and net profit, 1.6238 million yuan, as against 600.844 million, 31.8336 million and 28.0414 million yuan in 2006.

Shanghai Topsola mainly engaged in research and sale of solar silicon materials, photovoltaic cells and components, photovoltaic power generating system, new energy, renewable energy, and energy-saving products.

Challenges ahead in peaceful use of nuclear energy

Oct. 6 -- The international community has to pay greater attention to the challenges facing the rapidly growing civil nuclear projects, Chen Qiufa, director of Chinese
Atomic Energy Agency, said in a recent interview with Xinhua.

The Chinese official, who was here for a six-day General Conference of the International Atomic Energy Agency (IAEA) starting on Sept. 29, said that every country is entitled to the peaceful use of nuclear energy as long as it honors the obligation of nonproliferation.

Amid spiraling oil prices and global warming, the international community has begun to re-evaluate the strategic role of nuclear power in energy security and take it as an important alternative energy source.

The exploitation of nuclear power, however, poses many challenges, such as the safety of nuclear power plant, reliable supply of nuclear fuel, and safe disposal of nuclear waste, he said.

How to prevent the nuclear technologies falling into the hands of terrorists is another major concern, he added.

The IAEA, the UN's nuclear watchdog, plays an irreplaceable role to tackle these challenges, Chen said, adding that the IAEA could provide substantial assistance to member states in nuclear technology application, the training of technical personnel and the supply of nuclear fuel, Chen said.

Despite the general trend of improving nuclear safety in recent years, there were sporadic cases of nuclear leak, which means the agency is still obliged to strengthening its role in promoting nuclear safety standards and boosting the international cooperation in this regard, Chen said.

Chen said that since it came into existence in 1956, the IAEA has been widely acclaimed for its efforts in promoting the peaceful use of nuclear power and nonproliferation. Its positive contribution to world energy supply, environmental protection, and international security has also been lauded.

The Chinese official also said that China, as a responsible country, will stick to its promises of nonproliferation and share its experiences in the peaceful use of nuclear power with other member states of the treaty.

**Policies**

**China's road to energy security**

Oct. 6 -- 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, some of 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. By 2020, 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.

**China invests heavily in development of renewable energy**

Oct. 7 – China invested a total of 12.0 billion US dollars in development of renewable energy in 2007, ranking second in the world, according to the Guangzhou-based South China Coal Trading Center.

Since the 1980s, China has made much headway in development of renewable energy which refers to non-fossil energy of wind energy, solar energy, water energy, biomass energy and geothermal energy. The country's utilization of renewable energy reached about 220 million tons of standard coal in 2007, accounting for 8.5 percent of the consumption of primary energy, laying a solid foundation for China's to achieve its target for increasing the percentage to 10 percent by 2010.

In 2007, China's installed capacity of hydropower reached 145 million kw, and new installed capacity of wind energy was about 3.40 million kw, adding the total to six million kw.

At the same time, it has achieved remarkable progress in development of biomass energy. The rural mash gas tanks have helped 80 million farmers have access to clean fuel. More than 1,500 large mash gas tanks have been built in the country, producing more than 1.0 billion cubic meters of gas each year. China's renewable energy industrial sector develops rapidly with the government support.

The sector started to enjoy favorable policy in 2006, and received investment topping 12 billion US dollars for its projects in 2007. China has promoted development of wind power via franchise bid. In 2006, China's wind power installed capacity reached 1.33 million kW, more than the total amount in the past twenty years.

In 2007, the installed capacity of wind power increased by about 3.40 million kW to 6 million kW. The solar photovoltaic output has grown rapidly in recent years, and amounted to over 2,000 megawatt in 2006.
The renewable energy is key for China to maintain sustainable economic development, said Shi Dinghuan, chairman of the Chinese Renewable Energy Society.

By 2020, China's renewable energy is expected to take up 15 percent of the total primary energy consumption. That means the installed capacity of hydropower and wind power has to reach 300 million kW and 30 million kW respectively.

According to the current development pace, China's actual installed capacity of wind power will far exceed 30 million kW by 2020, and installed capacity of biomass energy and solar energy will reach 30 million kW and 1.8 million kW respectively.

The amount of China's renewable energy utilized is expected to equal to 600 million tons of standard coal by 2020, which is significant for greenhouse gas reduction and ecological protection.

The Chinese government will further strengthen international exchange and cooperation in renewable energy development. It has formulated plan to promote technology cooperation with foreign government and enterprises, said the source.

**Fujian to become Southeast China’s key energy base**

FUZHOU, Oct. 6 – The energy thirsty Fujian Province in East China is focusing on the construction of two nuclear power plants.

One is Ningde Nuclear Power Plant, which started construction in February. Upon completion, its four power generating units will be able to generate 30 billion kwh annually, basically meeting the provincial demand.

The other one is Fuqing Nuclear Power plant scheduled for construction by the end of this year. Its first phase is expected to generate 14 billion kwh.

According to Zheng Shanjie, deputy director of Fujian Provincial Development and Reform Commission, Fujian’s installed power capacity will hit 35 million kw by 2010, becoming one of the key energy bases in Southeast China.

In addition, this coastal province is making full use of wind power resources. It plans to boost the wind power capacity up to 600,000 kw by 2010.

By the end of 2007, Fujian had 7 wind power projects in operation, 22 under construction and 27 under plan, with a total installed capacity of 790,000 kw.

**Related Industries**

**Shenhua Ningxia Coal Group boosts CTL project with Sasol**

Oct.15 - Shenhua Ningxia Coal Group, a subsidiary of China's No.1 coal producer Shenhua Group recently signed an agreement on stage II feasibility study of its proposed joint venture coal-to-liquid (CTL) project with South Africa's Sasol, the
world's biggest producer of motor fuel from coal.

The research results of the stage II feasibility study will serve as main
decision-making basis for investors to invest in the CTL project with an annual
capacity of 3.6 million tons and for national economic regulator to approve the
program.

The joint feasibility studies also involve Foster Wheeler Energy Limited and
Wuhuan Engineering Co., Ltd.

The proposed CTL project is expected to attract 5-7 billion U.S. dollars of
investment shared equally by the two parties.

Earlier, Sasol announced that it would focus on the CTL project in the Ningxia
Hui Autonomous Region and shelve the second one in Shaanxi Province, due to
tightened Chinese control on proposed CTL projects. Enditem
China’s coal export slides 50 pct in Sept.

Oct. 14 – China’s monthly coal export has been dipping since the beginning of
second half and in September it hit 2.08 million tons, 53.6 percent lower than
previous same period, as shown by the latest customs statistics.

Experts say the strain of export quota is the major force behind the fall, as the first
batch of quota is depleting while the second batch remains to be granted. Falling
international coal prices are also discouraging Chinese producers to export.

China’s coal export reached this year’s peak of 6.99 million tons in June but
gradually decreased since July.

Data shows that China’s coal export in the first three quarters totaled 35.72 million
tons, 6.1 percent lower than corresponding period of 2007.

Despite that international coal prices plunge sharply recently, China’s exported
coal managed an average price of 29.7 US dollars per ton in September, hither than
August.

In the first three quarter of the year, coal export involves a total value of 3.78
billion US dollars, up 65.1 percent from previous same period’s 2.29 billion US
dollars.

Chinese customs did not reveal coal import data for September. But in Jan.-Aug.,
the country imported 28.68 million tons of coal, down 18 percent year on year, with
an average import price of 75.8 US dollars, up 64.9 percent year on year.

China issued this year’s first batch of coal import quota of 31.8 million tons in the
first half, roughly 60 percent of the actual import in 2007. The second batch was
scheduled to be granted in July or August, but because of the supply strain in domestic
market, issuance of the second batch of quotas was postponed.

Experts say the Chinese government may issue new export quotas in October to
ensure some companies’ export obligations to Japan and South Korea users.

By mid-September, around 6 million tons of coal export quota remained to be
used, and by current export volume of about 3 million tons, the remaining quota will
be used up in two months.

The experts went further to predict that the to-be-issued quota will allow 5-10
million tons of coal export by this yearend or next March.
China’s coke producers ax production as prices plunge

Oct. 13 – China’s coke producers drastically cut productions as market prices keep on slipping over much lower demand from steel making industry.

Some producer even chose to sell below cost, and that will severely undermine coke producers’ profit performance, said Huang Jingan, president of China Coking Industry Association, at a recently held forum on coal.

According to Huang, China’s coke production peaked at 1.04 million tons in June, a single-month record, and the market began to slide, to 970,000 tons in July, and further down to 957,000 tons in August, largely thanks to sharp drops of steel production induced by production ban during Olympic Games period and spreading global economic slowdown.

Some smaller companies were forced by the market to close door while larger ones chose to cut production by more than 50 percent.

July and August data both show that the country’s coke production maintained falls and the pace became even faster in the first half of October, according to Huang.

Huang says that market prices of primary coke have decreased about 1,000 yuan per ton from peaking times while secondary-grade coke saw prices cut by more than 2,000 yuan per ton. By the prices over the recent two weeks, no companies actually can make money, according to Huang.

But market still shrug off the price cuts as upstream steel market remains distressingly sluggish. Totally irrelevant to cost, current coke prices are merely enough to make producers’ machines run, Huang says, predicting that the prices will not last for long.

Because of growing demand and high cost comprising high coking coal prices, China’s coke prices will stay at a high level, he says.

External markets are similarly distressing, where coke prices have plummeted from peak of 720 US dollars per ton to 580-600 US dollars per ton.

Huang estimates that China’s coke export in 2008 will range from 12 million to 13 million tons, compared to last year’s 15 million tons. In his view, China’s coke export will neither soar nor dive sharply but maintain current volume over a long term.

The fast growth period of China’s coke industry has passed, with this year’s growth estimated below 10 percent, Huang says, pinning a growth of 4-5 percent on the country’s coke output in the future.

**Brief News**

*Huaneng Power to build 1,000MW unit at Nanjing plant* – China’s largest listed
power producer, Huaneng Power International (600011.SH; 0902.HK; HNP.NYSE) Wednesday announced that the National Development and Reform Commission (NDRC) has approved the company's plan to build a 1,000MW ultra-supercritical generating unit at its Nanjing unit – Jinling Power Plant. The project is designed to require total dynamic investment of 5.16 billion yuan, in which Huaneng Power, Jiangsu Guoxin Investment Group and Nanjing Investment Company will co-invest 20 percent of the total as capital at the ratio of 60:30:10 percent. The remaining money needed in the project will come from bank loans, according to the announcement. Huaneng Power has a 60 pct stake in Jinling Power Plant.

China-ASEAN Power Cooperation and Development Forum to be held in Nanning – The second China-ASEAN Power Cooperation and Development Forum, which has substantially promoted cooperation between China and ASEAN countries since its start in 2007, will be held in October 22-25 in Nanning, capital of South China’s Guangxi Zhuang Autonomous Region, sources of Secretariat of China-ASEAN Expo disclosed. According to the sources, the theme of the forum will be to explore new cooperation channels for electricity industries in China and ASEAN countries. President of China Electricity council, Zhao Xizheng and a number of Chinese electrical firms including China’s State Grid Co., Southern Power Grid, Huaneng Group, Datang Co., Huandian Co., Guodian Co., and China Power Investment Co. have confirmed to attend the forum.

Heilongjiang discovers 319-mln-ton coalmine – Geologists have recently prospected rich coal resources in Hegang Mining District and Qunying Mountain, with preliminarily estimated reserve reaching 319 million tons. Starting from 2004, the Ministry of Land and Resources (MOLR) and the Ministry of Finance (MOF) have jointly launched a national crisis mine screening work, and coal resources relay prospecting in Hegang is one of the two projects approved in the first batch. Upon completion, the project may obtain some 319 million tons of new coal reserve 900 meters underground, which will effectively ease the tight coal supply situation in Heilongjiang Province, and even in Northeast China as a whole.

China National Coal posts surging profit in Jan.-Sept. – China National Coal Group Corp. kept sound development in the first three quarters of this year, with profit surging 67.6 percent year on year. The company generated operating turnover of 61.5 billion yuan in the period, a year-on-year rise of 47.8 percent. Its gross profit amounted to 9.88 billion yuan in the period, up 67.6 percent year on year. The Chinese coal giant produced 86.155 million tons of coal in Jan.-Sept., up 8.7 percent year on year. Its coal sales hit 77.636 million tons in the period, a growth of 12.7 percent year on year. Included were 65.418 million tons sold in the domestic market, up 22.6 percent, and 12.198 million tons exported.

East China plans construction of biggest wind farm in Asia – Rudong County in East China's Jiangsu province is aiming high in development of wind energy, planning
to build the biggest wind farm in Asia. The county's government sources said at a news conference held in Shanghai that it would be able to generate 2.5 billion kwh green energy annually by 2015, and its renewable energy production will account for more than 70 percent of the county's total consumption of energy. Rudong now has 140 wind power generators, with an accumulative on-grid electricity output of 360 million kwh. The county now is also active in preparation for launching such projects as mash gas, biological diesel production, wind hydrogen plant and tidal power station.