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## CHINA ENERGY REPORTS ROUND-UP 20 JUNE-15 NOVEMBER 2005

**Ningdong Base Plans To Build Ten Thermal Power Plants** - According to a report in Ningxia Ribao on 28 October, Ningdong Energy and Heavy Chemical Industry Base plans to build ten thermal power plants to alleviate an electric power shortage in the Ningxia Hui Autonomous Region. The project will be implemented in two stages over a 15-year period, with the first stage running from now until 2010 and the second stage from 2011 to 2020. Once the project is complete, the total installed capacity of the ten thermal power plants is expected to reach 26.52 million kilowatts. The plan is designed to implement the strategy of "replacing coal with electricity, generating more electricity with coal, promoting a transition from coal transmission to electric transmission, and laying stress on electric transmission. [Yinchuan Ningxia Ribao in Chinese - daily newspaper of the Ningxia Hui Autonomous Region CCP Committee]

**Inner Mongolia Builds New Electric Transmission Line** - According to a report in Neimenggu Ribao on 10 November, the Inner Mongolia Electric Power Corporation is building a 35-kilovolt electric transmission line from Ceke, a land port city in Alxa League, Inner Mongolia Autonomous Region, China to the Nariin Sukhait Coalfield in Mongolia. It is the second of its kind in the region, following the construction of the first electric transmission line from the autonomous region's Erlianhot to Mongolia. The project, under a cooperative agreement between China and Mongolia, is intended to alleviate an electric power shortage that has become a bottleneck restricting the development of a joint coal exploration project between Inner Mongolia's Qinghua Group and Mongolia's Mongol Gold Company in the Nariin Sukhait Coalfield. The project will start on 20 October and will be completed and fully operational by the end of this year. [Hohhot Neimengguo Ribao in Chinese - daily newspaper of the Inner Mongolia Autonomous Region CCP Committee]

**China's First Nuclear Power Engineering Company Established in Shenzhen** - According to a report in Nanfang Ribao on 23 October, a plaque unveiling ceremony celebrating the establishment of the China Guangdong Nuclear Power Engineering Company was held at Daya Bay Nuclear Power Station on 22 October. Zhong Yangsheng, standing committee member of the CCP Guangdong Provincial Committee, executive vice governor of Guangdong Province, and head of the provincial leading group for nuclear power construction, attended the ceremony. The company was jointly established by China Guangdong Nuclear Power Group and Guangdong Electric Power Design Institute. The China Guangdong Nuclear Power Engineering Company is expected to play an important role in realizing independent designing of China's mega-kilowatt nuclear power stations,

lowering the cost of building nuclear power stations, and accelerating independent development of nuclear power. [Guangzhou Nanfang Ribao (Internet Version-WWW) in Chinese - Internet version of daily newspaper of the Guangdong Provincial CCP Committee]

China First Heavy Industries Company To Be Restructured Into Nuclear Power Equipment Base - According to a report in Heilongjiang Ribao on 25 October, the State Development and Reform Commission has approved a project to restructure the China First Heavy Industries Company, with total investment amounting to 1.08 billion yuan. The restructuring project is currently underway and expected to be operational in 2007. An expert familiar with the project said that in the course of restructuring, the company has increased its capacity to produce hydrogenation reactors from 3,000 tons to 12,000 tons. Also, with an annual manufacturing capacity of 1,500 tons of heavy mechanical equipment and two sets of mega-kilowatt nuclear power equipment, the company has become the sole base in China for manufacturing nuclear power equipment and large sets of equipment. The expert said that after the completion of the project, the company's product mix, competitiveness, and economic efficiency will be further improved. [Harbin Heilongjiang Ribao (Internet Version-WWW) - daily newspaper of the Heilongjiang Provincial CCP Committee]

Xinjiang Steps Up Development of Coal-bed Gas, Coal-Liquefied Oil Resources - According to a report in Xinhua Domestic Service on 14 October, Wu Jiachun, deputy director of the coal industry management bureau of the Xinjiang Uighur Autonomous Region, said Xinjiang has approximately 6.8 trillion cubic meters of coal-bed methane, which is a good replacement for natural gas, accounting for 22 per cent of the national total. With regards to coal-liquefied oil, Wu pointed out that Xinjiang's coal reserves are estimated at 2.19 trillion tons, accounting for 40 per cent of the national total. The verified coal reserves in Xinjiang are large, and 90 per cent of the coal is low metamorphic coal, which is easy for direct or indirect liquefaction. According to the report, Xinjiang plans to build chemical industrial bases in Hami Prefecture and Beita Mountain area, east of Zhungeer, with a designed annual production capacity of 20 million tons of coal-liquefied oil and a designed annual production capacity of 200 million cubic meters of coal-bed gas respectively. A personage in the industry said that with its abundant coal and coal-bed gas resources, Xinjiang is expected to continue to be an important oil and gas supply base. [Beijing Xinhua Domestic Service in Chinese - China's official news service (New China News Agency)]

Oil, Gas Supply Line Being Built Along Ancient Silk Road in Northwest China - According to a report in Xinhua Domestic Service on 16 September, China is building an energy supply artery along the ancient Silk Road in a bid to transport oil and gas from northwest China's Xinjiang Uighur Autonomous Region and from the adjacent central Asian nations to the eastern and central parts of China. There are bonanzas of oil and gas resources in nations along the ancient Silk Road, providing a wonderful opportunity for China to build an energy supply line. China, which desperately needs energy to fuel its robust economic growth, has decided to use Xinjiang as a new energy production base. As the second largest oil producer in the former Soviet Union, Kazakhstan boasts oil

deposits of 54 billion barrels and verified natural gas reserves of 65-70 trillion cubic feet. There are also abundant natural gas resources in Turkmenistan and Uzbekistan, with the former ranking fifth in the world in terms of gas reserves. All the three are becoming important oil and gas suppliers to China. Early this year, construction work started on a crude oil pipeline between Kazakhstan and China and on another pipeline for crude oil and oil products within the western regions of China. Plus the west-to-east gas pipeline that was completed at the end of 2004, a "corridor" for oil and gas transportation has tended to take shape. On August 22, Chen Geng, general manager of PetroChina, one of China's two leading onshore oil producers, announced in Dushanzi of Xinjiang that the China-Kazakhstan oil pipeline project will be completed at the end of this year. The 3,040-km pipeline includes a 2,800-km-long section in Kazakhstan and a 240-km-long section in China, involving an investment of 3bn dollars. It is predicted that by 2010, China will import 20 million tons of crude oil a year from Kazakhstan. Construction began in March this year on the domestic oil pipeline, which is 4,000 km in length and so far the longest oil pipeline in China. [Xinhua Domestic Service]

Kaxgar-Pakistan Oil Import Route Strategic Option for China's Oil Safety - In an exclusive interview with Zhongguo Tongxu She on 23 October, Chen Ji, vice commissioner of Kashgar Prefecture of Xinjiang Uighur Autonomous Region, said that as China is likely to become the world's second largest oil consumer and importer, only behind the United States, it is of great significance to develop a strategy for China's oil safety in the next ten years. Chen Ji asserted that China's high dependency on Middle East and African regions for its oil supply as well as instability along its sole maritime oil import route - "Persian Gulf-Arabian Ocean-Indian Ocean - the Malacca Strait - South China Sea- Taiwan Strait"-- are weak points for its oil safety. Therefore, Chen said, it is imperative to set up a land oil import route as a strategic option for China's oil safety. Chen held that since China and Pakistan have maintained good relations, the construction of a land oil import route from Xinjiang's Kaxgar Prefecture to Pakistan's Gwadar Port will be not only practical and safe but also will not involve any third country. In the overall strategic consideration of China's energy safety, the plan should be the best option. In the meantime, Chen went on to say, the route will also help reduce China's vulnerability over imported oil shipped via the Taiwan Strait and Malacca Strait. Chen Ji noted that in addition to the land oil import route, it is urgent to build a railway from China to Pakistan to exploit mineral resources in the nations surrounding the Kaxgar Prefecture. Chen said that the railway is of great economic, political, and strategic significance because it will not only shorten the distance between China and Europe but also will serve as a great passage for the exchange of international energy and materials. [Hong Kong Zhongguo Tongxun She in Chinese - a PRC-owned press agency (China News Agency)]

China Wants Pipeline to Myanmar [Burma] to Secure Oil Supply - According to a report in Ming Pao on 19 October, a source close to the Second China-Asean Exposition disclosed that China wants to reduce its vulnerability over imported oil shipped via the Malacca Strait by building a pipeline from the south-western province of Yunnan to a port in Myanmar. This will ensure that oil supply will continue even when passage through the narrow and already very congested waterway is disrupted for whatever

reasons. According to sources, Myanmar Prime Minister Soe Win will discuss the project with Chinese leaders during the second China-Asean Exposition. According to the report, Beijing attaches great importance to the construction of the oil pipeline that will run from Kunming, Yunnan's capital, to the Indian Ocean port of Sittwe, because it can not only lower the cost and risks of transporting oil from the Mediterranean but it also has a close bearing on China's strategic considerations in Southeast and East Asia. [Hong Kong Ming Pao (Internet Version-WWW) in Chinese - Internet version of well-respected, non-PRC-owned daily newspaper; contains well-informed features on and analysis of PRC and Hong Kong political, social, and economic issues.]

Impact of High Oil Prices on Asian Economy - According to an article in Shanghai Liaowang Dongfang Zhoukan on 5 September by Liang yangchun, a researcher with the Research Department of Industrial Economy of State Council,, the impact of high oil prices on Asian economy is mainly reflected in the following areas: 1. High oil prices have slowed down the economic growth of Asian nations that rely heavily on energy imports and commodity exports. During the first half of this year, the Asian nations have witnessed inflation and a decline in exports. A further deceleration is expected in the economic growth of Asian nations, including China, and the regional economy is also expected to become stagnant and inflationary. 2. High oil prices have prompted an exodus of global capital. Asian nations are gradually losing the advantages of low labour and land costs and cheap resources to attract global capital. As a result, a number of industries have pulled their capital from Asia. During the first half of this year, China has seen a significant decline in the volume of foreign investment, the actually used volume of foreign investment, and the number of foreign invested projects. 3. High oil prices have lowered the living standards of Asian people. Energy is not only an important guarantee for economic growth but also an important material for the livelihood of the people. High oil prices have had a direct impact on Asian people's income and living standards. 4. High oil prices have increased financial burden and risks. As energy is the lifeline of national economic development, many Asian nations have adopted such methods as financial subsidies and tax reduction and exemption to ensure their energy supplies in a bid to ensure their economic stability and people's living standards. However, these methods have caused a great financial burden on these nations. The article holds that to cope with the energy crisis, Asian nations should improve their economic mechanisms to seek greater development. Areas for improvement include laying stress on innovations, strengthening close economic and energy cooperation, accelerating economic restructuring and promoting changes in the mode of economic growth, and developing new and substitute energy resources. [Shanghai Liaowang Dongfang Zhoukan in Chinese - weekly current affairs magazine (Oriental Outlook) published by China's official news agency Xinhua, carrying articles on political, social, cultural, international, and economic issues targeting a broader readership than sister publication Liaowang]

Non-Public Economic Sectors Call for End to Oil Monopoly - According to a report in Shanghai Liaowang Dongfang Zhoukan on 20 June, in an interview with the weekly magazine, Feng Fei, deputy director of the Research Department of Industrial Economy of State Council, said that the "administrative monopoly" over oil by major state-owned

enterprises has been a stumbling block for the reform of the oil industry. The fundamental way out for it lies in reforming management methods to allow non-public economic sectors to participate in the oil industry in a bid to ensure fair competition. The reform of the oil industry has seriously lagged behind China's economic development, which Feng Fei said does not suit the oil's strategic position very well. Feng Fei made the remarks against a backdrop where China's private oil enterprises have been blocked from entering the oil industry. According to the report, the Changcheng Union Oil Group, China's first private oil group, has entered the final stage of development. Changcheng Oil is expected to cooperate with large state-owned oil enterprises and multinational oil corporations to look for resources abroad to meet the ever-increasing demand for oil. However, as the implementation details of "Some Opinions of the State Council on Encouraging, Supporting, and Guiding the Development of Private and Other Non-Public Economic Sectors" have not been promulgated, the company has postponed its official opening. [Shanghai Liaowang Dongfang Zhoukan]

Monopoly Hinders Development of New-Type Industrialization - According to a report in Ta Kung Pao on 8 November, the fifth plenary session of the 16th CCP National Congress stressed the need to promote a new-type industrialization during the Eleventh Five-Year Plan period. Dr Zhao Guohong, a research fellow at the Chinese Academy of Social Sciences, pointed out that the top priority task at present is to reform the management systems of power and energy industries, break administrative monopoly, lay stress on developing the equipment manufacturing industry, and promote technological upgrading and restructuring of traditional heavy and chemical industries. In the meantime, Zhao said, it is necessary to open financial, telecommunications, press, and other service sectors to domestic companies. Zhao Guohong held that the Eleventh Five-Year Plan period is a crucial period for China's industrial restructuring and upgrading. On one hand, it is crucial to eradicate the bottleneck that energy resources have imposed on the basic industries; on the other hand, it is necessary to accelerate the pace of enhancing independent innovation capacity and transform China's industrialization into technological intensification as soon as possible, Zhao said. According to Zhao's analysis, improper investment structures with a strong emphasis on developing heavy and chemical industries have caused shortages of coal, oil, and electricity. Fundamentally speaking, Zhao went on to say, local governments' inappropriate participation and intervention in economic activities are the main factors contributing to the resource waste and extensive economic growth in the course of industrialization. Therefore, it is necessary to conduct coordinated reforms to weaken the role of governments at various levels in economic development and reduce their intervention in microeconomic operation. In the meantime, it is also important to strengthen the role of governments at various levels in public service and social management. As industrial monopoly has hindered the development of industrialization, Zhao said that the pressing task at the moment is to reform the existing power and energy systems. Zhao also pointed out that the optimization of the industrial structure is another major strategic issue facing the new-type of industrialization. To address the issue, immediate measures should be taken to open financial, insurance, telecommunications, education, culture, press, and other service sectors to domestic enterprises because only through effective competition can the problems of industrial monopoly and low efficiency be resolved. [Hong Kong Ta

Kung Pao (Internet Version-WWW) in Chinese - Internet version of PRC-owned daily newspaper.]

Order of Oil Exploitation Needs To Be Standardized - According to a report in Beijing Jingji Ribao on 15 November, the promulgation of "Some Opinions of the State Council on Encouraging, Supporting, and Guiding the Development of Private and Other Non-Public Economic Sectors" is a major move for promoting the development of non-public economic sectors. In accordance with the "Opinions," the opening up of the oil industry to domestic companies should be carried out in a gradual and orderly manner. To this end, it is necessary to pay attention to the following areas: 1. Relevant departments should formulate, as soon as possible, the implementation details of the "Opinions" as a legal basis for oil exploration activities by private and non-public economic sectors. 2. It is necessary to further strengthen management and supervision over the oil industry, safeguard the order of oil exploitation activities, promote the development of the oil market, and ensure that the oil industry can be successfully reformed. 3. Enterprises and individuals who disrupt the order of the oil market and damage national oil resources and ecological environment should be seriously investigated and punished. This aims to ensure that China's oil resources can be utilized in a scientific, rational, and orderly manner and that the oil industry can be developed in a sound and rapid manner in a bid to provide clean and high-quality energy supplies for national economic development and social progress. A relevant responsible official stressed the need to rectify and straighten out the order of oil exploitation activities as it is conducive to protecting oil resources, developing oil exploitation in a scientific and rational manner, and protecting land resources and ecological environment. The official pointed out that in compliance with the requirements of establishing and implementing a scientific development concept and from the strategic high plane of overall interests and sustainable economic and social development, it is important to be fully aware of the significance of rectifying and straightening out the order of oil exploitation activities, raise awareness of its importance and urgency, unify thinking in accordance with laws, regulations, and policies and in keeping with national interests, and subordinate immediate interests to long-term interests and partial interests to overall interests. [Beijing Jingji Ribao (Internet Version-WWW) in Chinese - Internet version of newspaper of the PRC State Council covering general economic affairs]

Shaanxi, Xinjiang, Shandong Achieve Substantial Results in Rectifying Oil Exploitation Order - According to a report in Beijing Jingji Ribao on 15 November, Shaanxi, Xinjiang, and Shandong, which are abundant in oil and gas resources, have achieved substantial results in rectifying the order of oil exploitation activities. Shaanxi Province has achieved significant phased progress in rectifying and straightening out the order of oil exploitation through efforts in the following five areas: 1. In line with national industrial policies, Shaanxi has closed down eight illegal small oil refineries and destroyed more than 2,600 unlicensed oil refineries. 2. By abolishing local regulations that are inconsistent with existing national laws and regulations, Shaanxi has taken methods to compensate the owners of private oil wells to retrieve their ownership and management rights. 3. Oil exploration companies at the county and district levels have been brought under the management of the Yanchang Oil Administration Bureau since April 2003, realizing

unified planning and management of local oil exploitation. 4. By relying on scientific and technological progress, the recovery ratio of oil has been further improved, thereby pushing oil exploration to a new stage. 5. Environmental pollution has been contained at the initial stage. Shaanxi has closed down 120 seriously polluted oil wells and suspended the operations of 234 oil wells.

According to the report, the party committee and government of the Xinjiang Uighur Autonomous Region have attached great importance to developing oil exploitation in a scientific, rational, and orderly manner. On 5 July 2005, Wang Lequan, member of the political bureau of the CCP Central Committee and secretary of the autonomous regional party committee, said that the top priority task at the moment is to give all-out support for China National Petroleum Corporation (CNPC) and China Petroleum and Chemical Corporation, lay stress on oil prospecting and exploration, and ensure the steady growth of oil production. Wang also urged various localities and departments to resolutely ban illegal oil exploration activities and hold accountable officials and personnel who fail to do so, strengthen propaganda on relevant laws and regulations, and guide and support oil prospecting and exploration in a positive manner. Wang gave the instructions at a work conference for accelerating the development of the new-type industrialization. The report states that in recent years, the party committee and government of Shandong Province have implemented a scientific development concept in a comprehensive manner, worked to build a socialist harmonious society, conscientiously served oil enterprises, energetically safeguarded the order of oil exploration, and actively resolved various contradictions. Thanks to their efforts, the social public order in oil producing areas is good and stable, which is of paramount significance to ensuring oil production safety and sustained and coordinated economic and social development. [Jingji Ribao]

Yanchang Oil Production Reaches New High - According to a report in Beijing Jingji Ribao on 21 October, the Yanchang Oil Company, located in Shaanxi Province, had refined more than 2.8 million tons of crude oil by the end of December 2004, 30 per cent more than in the same period of 2003. By back injection of wastewater, the oil field has raised the oil recovery rate by 20 per cent to 30 per cent, and the resources utilization rate from 60 per cent to 90 per cent, ranking sixth in China. The report attributes the achievement to the following two major factors. 1. Implement a scientific development concept and energetically promote the comprehensive utilization and technological transformation of energy resources. By adopting new technologies, such as the "inverted nine-spot injection," the Yanchang Oil Company has explored new approaches to developing oil fields with a very low percolation rate. 2. Pay attention to the sustainable development of oil fields and unswervingly take oil prospecting as the top priority task. By pursuing a strategy of prospecting for oil in areas surrounding Yanan, the Yanchang Oil Company has discovered 12 oil fields, achieving gratifying progress in oil prospecting and exploitation. The Yanchang Oil Company has also paid great attention to environment protection. In order to prevent environment pollution caused in the course of oil prospecting and exploitation, the Yanchang Oil Company has launched a campaign of "civilized oil wells," strictly prohibiting industrial pollution in oil fields. [Jingji Ribao]

Petrochemical Scientist Dedicates Whole Life to China's Scientific Development -

According to a report in Beijing Jingji Ribao on 7 September, Hou Xianglin is a world-renowned scientist in the petrochemical field, one of the pioneers of China's petrochemical technology, and a founder of China's oil refining technology. While China was in a massive shortage of oil, Hou guided the successful research on and industrial application of five major technologies, including "catalytic reforming, decoking, urea de-waxing, catalysts, and additives." Hou and his coworkers have solved many key problems in the oil industry to promote the development of China's oil refining and have achieved China's self-sufficient supply of main oil products. In addition, he participated in the formation, coordination, and implementation of all the state and ministry-level science and technology development programmes. In 2003, at the age of 91, he presided over the research on an important project - "Strategic Research on China's Sustainable Development of Oil and Gas Resources." Comrade Hou Xiangli has made outstanding contributions to China's science and technology, especially to the development of China's petroleum and petrochemical undertakings. [Jingji Ribao]

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