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CHINA TO DEVELOP COAL GAS AS DIESEL ALTERNATIVE

BEIJING

The Chinese government is to support the development of dimethyl ether (DME), a gas derived from coal, as a possible alternative to diesel.

A circular from the National Development and Reform Commission (NDRC) said standards for the use of DME as a civil fuel were being drawn up.

A gas under normal pressure and temperature, DME could be compressed into a liquid and used as an alternative to diesel. Its low emissions made it relatively environmentally friendly.

Domestic and overseas research showed it was expected to become a major fuel and was suitable for China's energy structure, said the circular.

DME-fueled vehicles have been developed by Shanghai Jiaotong University and Xi'an Jiaotong University as well as in Japan and the European Union.

The Xinhua-run China Securities Journal reported on Wednesday that Shanghai Municipality planned to open the first DME-fueled bus line this year and operate 1,000 such vehicles before the World Expo in 2010.

With little likelihood of world oil prices dropping significantly, alternative energy solutions were becoming more effective, said Zhang Guobao, vice chairman of the NDRC.

The China Securities Journal said China's estimated annual DME output from planned refineries was 500,000 tons.

Water resources and capital were the main restrictive factors as production of one ton of DME would use as much as three tons of water.

However, coal resources were also limited and DME would be a stopgap solution to China's energy problems, said the China Securities Journal.

Zhang warned against over-investment in the coal chemical industry.

The NDCR suggested at a meeting in June that policies for the development of DME and establishment of industrial standards be accelerated.