TABLE OF CONTENTS

GENERAL ENERGY ISSUES............................................................................................................................4
Energy demand growth rate to slow down ........................................................................................................ 4
Experts call for more govt efforts in clean energy use .................................................................................. 5
China to be leader in nuclear energy: US Energy Secretary ....................................................................... 5
Energy demand up 15.1 percent ...................................................................................................................... 6
China: fastest development of power generation .......................................................................................... 6
New law to encourage use of renewable energy ........................................................................................... 6
China to ease power shortage by 2006 ........................................................................................................... 7
Energy conservation, efficiency, GHG highlighted ....................................................................................... 7

AUTOMOBILE AND TRANSPORTATION....................................................................................................8
Car makers greet 2005 with price cuts ........................................................................................................ 8
Electric vehicles may be used for Games ...................................................................................................... 9
Beijing to raise parking price ....................................................................................................................... 10
GM charges Chery for alleged mini car piracy ............................................................................................ 10
China to be world’s third largest automaker by 2010 ................................................................................. 11
100 bln yuan to be invested in rural highway network ................................................................................. 12
Car imports requires automatic import license ........................................................................................... 12
Car output down 5.7 percent year-on-year in Nov. ..................................................................................... 12
Chongqing sees growth in motorcycle exports .......................................................................................... 13
Domestic car makers urged to invest more in research .............................................................................. 13
Report shows Chinese consumers more satisfied with auto sector ............................................................ 14
Nissan plans engine plant in Guangzhou ...................................................................................................... 14
Sino-German JV to produce auto chassis in Hubei .................................................................................... 15
Fuji plans to produce cars in China ................................................................. 15
Kia Motors plans strong expansion despite slowing market ......................... 16
FAW car sales top 1 million units ................................................................. 16
Green light for tripartite auto joint venture .................................................. 17

OIL AND GAS ........................................................................................................ 18
Refining capacity rise lags demand growth ................................................. 18
Shell to double gas stations .......................................................................... 18
Private oil firms eye global opportunities ................................................. 19
CNOOC may takeover Unocal ......................................................................... 20
CNOOC in LNG terminal venture with Shenergy ........................................ 20
Qinghai Oilfield produces 4 million tons of oil and gas ................................ 21
Rosy future for west-east pipeline ............................................................... 21

POLLUTION ........................................................................................................ 22
Crook uses bribes to fuel dirty coal business ............................................... 22

APECC Beijing Office:
Building #2, Suite 1-102
The New World Garden,
Global Environmental Institute
Chongwen District 100062, Beijing
Phone: 86-10-67083192 ext. 216
Fax: 86-10-67083193
e-mail: hmgong@autoproject.org.cn
Mr. Huiming Gong
APECC China Program Manager

APECC USA Office:
42977 Ashbury Dr.
Novi, Michigan, USA
Phone: 248-347-9004
e-mail: fengan@autoproject.org.cn
Dr. Feng An
APECC Director
www.autoproject.org.cn
General Energy Issues

Energy demand growth rate to slow down

BEIJING, Dec. 15 -- China's energy demand growth rate is expected to slow down next year, with the government's efforts to curb energy consumption intensive industries taking effect, executives from State oil and power companies said yesterday.

Refined oil product consumption in China is likely to reach 157 million tons by the end of this year, representing a year-on-year increase of 19 per cent, China National Petroleum Corp (CNPC) officials revealed at a work conference on State-owned enterprises yesterday in Beijing.

That growth rate, however, is expected to drop to 8.3 per cent in 2005, with the full-year consumption reaching 170 million tons.

On power industry front, China's power consumption is set to increase by 12 per cent year-on-year to 2.43 trillion kilowatt-hours next year, according to Liu Zhenya, general manager of State Grid Corporation, which supplies electricity to two-thirds of the country.

The power demand growth will be slower than that in the first eleven months of this year. During January to November of this year, consumption surged by 15 per cent to 1.9 trillion kilowatt-hours.

The expected energy demand slow-down reflects the country's efforts to hold back the pace of economic growth.

China's GDP growth is likely to drop from an expected 9 per cent this year to an estimated 8 per cent in 2005, experts said.

As the economy roars ahead, energy consumption surged this year, leading to a widespread energy supply crunch.

Starting in April this year, the government began efforts to cool down the economy by curbing rampant investment in many energy-consuming industries such as steel, cement and aluminum.

Liu said the power shortages are likely to ease next year because of a demand growth slowdown and new power plants placed into operation, Liu said.

The power supply shortfall in peak consumption periods is likely to reach 20,000 megawatts, a slight drop from 20,780 megawatts this year, according to Liu.

"While the rest of the country will see a balanced supply and demand, (power shortage in) eastern and northern China are still a thorny problem," Liu said.

East China, one of the country's economic powerhouses, is to see supply fall short of 14,000 megawatts next year. Still, the shortage is less than 17,000 megawatts this year.

On the oil side, companies are stepping up production to satisfy the increasing demands forecast for 2005.

China's crude oil production should rise by 2.3 per cent to 176 million tons in 2005, with the crude running up 8.7 per cent to 280 million tons, said Chen Tonghai, general manager of China Petrochemical Corp.

CNPC, which makes up 64 per cent of the nation's total oil output, is expected to produce 111.6 million tons of crude this year.

By November, the company had produced 102.4 million tons of crude, up 2.2 million tons from the same period last year.

CNPC also saw an increase of 15 per cent in natural gas production in the first 11 months, hitting 25.9 billion cubic metres.

By the end of 2004, CNPC has the crude oil stock of 5 million tons, an increase of 450,000 tons.

The stock of refined oil products top 3 million tons, up 340,000 tons.

"The steady stock of crude oil and refined oil products helps to buffer the shock from the huge fluctuations of crude oil prices on the international market," the company said.

The CNPC is stepping up exploration of crude oil and natural gas reserves in China, especially in the western areas.

At yesterday's conference, Chen also refuted the comment that China's robust economy had led
to the soaring crude oil prices seen in the international markets.

"China's increasing demands for crude oil in 2004 only account for 16 per cent among the overall increases in the world, much lower than the 30 per cent from the United States," Chen said, "The direct reasons lie in the depreciation of US dollar, and the speculative business of international investment funds also contributed to the rising crude oil prices on the international market." (Source: China Daily)

Experts call for more govt efforts in clean energy use

BEIJING, Dec. 18 (Xinhua) -- Clean and renewable energy resources like solar energy can play a much more active role in easing energy supply tensions of the country accompanying its booming economy, Chinese energy expert Luo Yunjun said recently.

"China is rich in clean energy resources, such as solar energy, wind power and biomass, but the development and use of them in China is far from enough, especially compared with developed countries," said Luo, a senior engineer from the solar energy research institute of Beijing.

Statistics from Beijing New and Renewable Energy Resources Association show that by the end of 2003, the use of solar water heaters across China reached 50 million square meters, saving as much as 8 million tons of coal every year.

Meanwhile, other products like solar stoves and solar cells have also been popularized or used in Tibet, Beijing and some other parts of the country.

However, China still has much to do in developing and popularizing clean energy use. The popularization of solar water heaters in China is still at a rather low level -- 3 to 4 percent -- far below the aim of reaching 15 percent by 2015 that the Chinese government is striving for.

Another problem is that high buildings in big cities cannot install solar water heaters with current technology. The comparatively high prices also hinder the popularization of such heaters.

"The Chinese government will attach greater importance to developing clean energy resources, and has already worked out a long-term plan for energy development," said former research fellow Wang Changxi with the research institute of energy resources under the State Development and Reform Commission.

A forum on the combination of energy saving, solar energy and buildings was held in Beijing on October 31. A senior official from the Ministry of Construction told the forum that the government will take measures to promote development of firms producing solar products, and energy-saving buildings.

Luo called on the government to provide more financial support for developing clean energy resources. Preferential policies could encourage more people to use clean energy.

China is now drafting a law for the promotion of new and renewable energy resources. This will undoubtedly boost new energy-related industries.

"Clean energy resources are quite promising and have great potential for both China and the world, as they can help us both tackle the problem of energy shortage and protect our environment," Luo said. "China could do more to exploit the great potential to serve its economic development."

China to be leader in nuclear energy: US Energy Secretary

BEIJING, Dec. 20 -- Outgoing US Energy Secretary Spencer Abraham said Friday China would emerge as a leader in nuclear energy and called for further cooperation between the two countries in developing alternative sources of power.

China’s aim to expand its nuclear power generation capability and moves to embrace the newest generation of nuclear reactors were very impressive, he said.

“China is going to emerge in this century as a global leader in nuclear energy,” he said during a two-day visit to Beijing.

“We hope we can learn more from your progress in this area so that it might be possible for us in America to see an expansion of nuclear energy in the years ahead,” said Abraham, who is due
to be replaced by U.S. Treasury Deputy Secretary Samuel Bodman.

China, struggling with power shortages that pose a threat to economic growth, has outlined an ambitious plan to build dozens of reactors over the next couple of decades and quadruple its nuclear power capacity to 36,000 megawatts by 2020.

The government hopes nuclear power will account for about 4 percent of total output by 2020 from around 1.7 percent.

A senior U.S. official said in October the U.S. Government would likely approve the reactor sale to China in the next few months.

Approval would be a victory for Pittsburgh-based, British-owned Westinghouse Electric Co., which applied in February to build two of its 1,100 megawatt, next-generation AP1000 reactors in China.

Abraham said it was essential that China and the United States work together to ensure adequate global energy supplies given they accounted for a third of world energy consumption.

China and the United States had agreed in January to form a U.S.-China Energy Policy Dialogue to enhance bilateral cooperation in areas including energy efficiency and renewable energy, he said.

"We are now preparing to move forward on a policy level," Abraham said, adding this initially meant building on the work of international partnerships to which China and the United States already belong. (Source: Shenzhen Daily-Agencies)

Energy demand up 15.1 percent

BEIJING, Dec. 20 -- China's energy consumption rose 15.1 percent in the first 11 months of the year, boosted by strong demand from manufacturing industries, China Central Television (CCTV) said Friday.

In the period from January to November, the country consumed a total of 1.95 trillion kilowatt hours, CCTV said.

The manufacturing sector, the focal point of a lengthy government campaign to cool growth, saw power demand rise 16.6 percent over the 11-month period, according to the report.

The government did see some results for its cooling efforts, with the growth in power consumption down to 13.5 percent in the third quarter from 15.8 percent in the second quarter, CCTV reported.

Roaring energy demand has caused power shortages in most Chinese provinces at some point during 2004. (Source: Shenzhen Daily/Agencies)

China: fastest development of power generation

BEIJING, Dec. 27 -- China's installed capacity of total power generation has hit 400 million kilowatts, further stabilizing its number two position in the world.

An official with the National Development and Reform Commission says China is witnessing the fastest development of power production in the world.

China's installed capacity of hydropower is the largest in the world, hitting 100 million kilowatts.

It's predicted that China's power shortage will be partially alleviated next year, and a full nationwide alleviation is expected in 2006. (Source: CRIENGLISH.com)

New law to encourage use of renewable energy

BEIJING, Dec. 25 -- The National People's Congress will examine a draft law to encourage the use of renewable energy. The draft law lists wind, water, and geothermal energy as renewable options.

An NPC environment spokesman says China faces a worsening environmental situation, and must urgently develop renewable sources of energy.

The draft law lists wind, solar power, water, and geothermal energy as renewable options and contains regulations for their exploitation and development.

The draft will be discussed at the 13th Session of the tenth NPC Standing Committee which starts Saturday.
Currently, 50 countries have enacted laws to promote development of renewable energies. (Source: CRIENGLISH.com)

**China to ease power shortage by 2006**

BEIJING, Dec. 27 (Xinhuanet) -- The power shortage in China may be short-lived. China's State Development and Reform Commission said it should be over by 2006, during a ceremony marking the power-generating capacity of 400 million kilowatts.

However, experts predict that another 500 million kilowatts are needed in the next 15 years. Three-fourths of the country's power supply is generated by thermal plants. These plants are powered by coal or oil. Other power producers include hydro-electric power, nuclear power and wind-power stations.

Four years ago, China overtook France and the UK as the world's second largest power-generating country. The power shortage hit hardest this year, causing electricity outages in 27 provinces.

**Energy conservation, efficiency, GHG highlighted**

BEIJING, Dec. 29 (Xinhuanet) -- China is shifting the national energy policy by putting its first priority on energy conservation and improving the energy efficiency from its previous emphasis on energy exploitation.

The move will help the country control the emission of carbon dioxide to meet possible Kyoto Protocol obligations years ahead of schedule, experts said.

The Kyoto Protocol, which aims to control the "greenhouse" gas emissions that cause global warming, is expected to take effect as of next February.

The protocol imposes cuts in emissions of the polluting gases by 5.2 per cent from the level of 1990 by 2010 for most industrialized countries.

Developing countries including China and India have no legal biding for the carbon dioxide cut before 2012. A signatory to the Kyoto Protocol, China is likely to commit certain obligations years ahead of the requirements.

Ni Weidou, a thermal engineering professor with the Chinese Academy of Engineering, said the government is working hard to improve energy conservation and efficiency which can effectively help China prepare for the Kyoto Protocol.

Energy consumption, including burning coal and oil, account for most of the greenhouse gas emissions that lead to global warming.

According to the government's blueprint, the energy consumption for every 10,000 yuan (US$1,210) gross domestic product (GDP) is expected to drop by 16 per cent from 2.68 tons of coal equivalent in 2002 to 2.25 tons in 2010.

By 2020, the average consumption will further reduce to 1.54 tons of coal equivalent, 43 per cent lower the level in 2002.

By 2010, the energy consumption efficiency of major industrial products, such as steel, aluminum and electricity, is expected to reach the level of developed countries in the early 1990s.

Meanwhile, the country is strengthening promotion of the shares of renewable energy, such as hydropower, wind power, bio-mass and solar energy, in the total consumption mix to 10 per cent by 2020 from the current less than 1 per cent.

"These efforts are not specifically designated for the Kyoto Protocol, but surely will benefit the country," Ni said in a telephone interview.

China has valid grounding not to hold obligations to the Kyoto Protocol for the time being, Ni said.

Even though China is now the world's second largest carbon dioxide polluter after the United States, its emission per capita is far below most developed countries.

China's per capita emissions are one sixth the average of the Organization of Economic Cooperation and Development (OECD) nations, and one eighth that of the United States.

From a historical perspective, Ni said developed countries produced the lion's share of carbon dioxide emissions during their industrialization period.
"It is not reasonable to require developing countries to share the responsibilities of developed countries," Ni said.

China, however, is facing increasing pressure of greenhouse gas emissions.

After experiencing GDP growth of 204 per cent since 1990, Chinese carbon dioxide pollution increased by 44.5 per cent to 3.31 billion tons in 2002.

The emission of carbon dioxide is likely to more than double to as much as 6.6 billion tons by 2020, according to a research report by the Energy Research Institute under the National Development Reform Commission,

Pan Jiahua, an analyst with the China Academy of Social Sciences, said in a recent research report: "How to co-ordinate the relations between the industrialization and control of greenhouse gas emissions is a serious challenge for China in the coming 20-50 years."

Comprehensive measures, including energy conservation, the promotion of renewable energy and a change in people's consumption behavior, should be taken to curb the emission of the polluting gases.

Pan emphasized that technology innovation play an important role in reducing the greenhouse gas emission.

Experts said the Clean Development Mechanism (CDM) of the Kyoto Protocol can and will help siphon foreign investment into the development of clean energy technology in China.

According to the so-called quota-trading mechanism, developed countries can fulfill some of their greenhouse gas emission-reduction commitments through financing related projects in developing countries where costs are much cheaper.

In the latest development, China signed a greenhouse gas emission reductions purchase agreement with the World Bank early this month.

According to the agreement, the World Bank will invest in capturing the methane released from a coal mine in Shanxi Province in North China and will then sell the reductions to a World Bank partnership. (China Daily)

Automobile and Transportation

Car makers greet 2005 with price cuts

BEIJING, Jan. 6 -- China's slowing car market has driven into the new year with a new round of price cuts.

January 1 not only ushered in the new year, it also saw the advent of huge price reductions by some of China's auto manufacturers.

FAW Car Co Ltd, the Shenzhen-listed arm of China's top vehicle producer First Automotive Works Corp (FAW), slashed the prices of Mazda6 sedans, produced under technical licensing deals with Mazda, by 25,000-40,000 yuan (US$3,020-4,830) on January 1.

Tianjin FAW Automobile Co, another affiliate of FAW, axed the prices of its Vizi and Vela compact cars by up to 15,000 yuan (US$1,800) on the same day.

A slew of other automakers in China will also launch price cuts this month, such as Nissan's joint venture with Dongfeng Motor Corp and Kia's venture in eastern Jiangsu Province, according to market sources.

The prices of many imported cars, including models made by Volvo, Land Rover, Hyundai and Skoda, dropped over the past week thanks to China's tariff cut under its obligations to the World Trade Organization.

These price cuts are a continuation of the red-hot price wars fought last year by manufacturers eager to boost sales and clear huge inventories, said Jia Xinguang, chief analyst of the China Automotive Industry Consulting and Development Corp.

"There appears to be no other way to attract customers, so producers will use price cuts to attempt to get the upper hand this year," Jia said.

Prices in the domestic car market are forecast to fall at a faster rate this year than last year.

Average prices will drop by 15 per cent or more this year, compared to last year's fall of 10 per cent, said Cao Jianhai, an industrial researcher with the Chinese Academy of Social Sciences.

Almost all domestic and foreign automakers cut the prices of their China-made cars last year,
ranging from local players Chery and Geely to the world's premium brands Audi and BMW.

However, car sales growth in China has slowed down sharply due to banks' controls on car loans, high oil prices and customers' persistent anticipation for cheaper cars, despite manufacturers' frequent price cuts.

And these price cuts have become so frequent that customers are expecting even more to take place, meaning that they are sitting on the sidelines awaiting further reductions, which will further depress the car market.

Cao said that the domestic car market will grow by 10 per cent year-on-year in 2005.

Xu Changming, from the State Information Centre, predicted that the total sales of China-made vehicles will grow 12 per cent year-on-year to 5.64 million this year, with that of passenger car sales increasing 16 per cent to 2.64 million units.

Xu estimated that total sales of China-made vehicles and sales of passenger cars reached 5.04 million and 2.27 million units last year, up 16 and 18 per cent year-on-year.

Year-on-year growth in total vehicle and passenger car sales in China stood at 34 per cent and 75 per cent in 2003.

"Car prices will continue to be brought down mainly by automakers in China instead of imported cars as the latter only accounts for a tiny slice of the overall domestic car market, although the nation will continue to cut tariffs," Xu said.

Imported vehicles control some 4 per cent of the domestic auto market.

China removed quotas on vehicle imports and cut tariffs to 30 per cent on January 1 from last year's 34.2-37.6 per cent.

These tariffs will fall to 25 per cent by the middle of next year.

China Association of Automobile Manufacturers spokeswoman Zhu Yiping suggested domestic automakers should cut their production in order to maintain price stability.

"They discuss joint action in the same way as members of OPEC (the Organization of Petroleum Exporting Countries) are doing. Some automakers' price cuts were harebrained and destroyed customer confidence," Zhu told China Daily.

Xu said prices in the domestic car market will stabilize next year.

"However, car prices in China will tumble by 50 per cent in four years due to mounting competition, domestic producers' expanding economies of scale, and lower income levels and labour costs in China than in the developed markets," Cao said.

Domestic car prices will ultimately be 40 per cent to 50 per cent lower than in developed markets, Cao said.

Oversupply in the domestic car market will continue to grow this year as a result of new production capacity built by producers and slowing car sales, he added.

Car production capacity in China will be 30 per cent larger than real domestic car demand this year, up from last year's 20 per cent, he said.

Car makers' and dealers' total inventories stood at nearly 600,000 at the end of last year, according to reports.

"Many automakers in China will suffer losses in 2006 because of slowing sales and diving car prices," he said.

There are around 120 vehicle plants in China, with more than 30 turning out passenger cars.

(Source: China Daily)

**Electric vehicles may be used for Games**

BEIJING, Dec. 20 -- Visitors, sports fans and participants for the 2008 Beijing Olympic Games may be able to drive around the city without polluting the air.

Some 5,000 cars, 1,100 mini-buses and 2,000 passenger buses, powered by electricity and producing zero pollution, are expected to be used for the big event.

These vehicles will run along main traffic lines to the Olympic Games Village, from the village to competition venues and within the Games
village, said Sun Fengchun, an expert on electric vehicles and vice-president of the Beijing University of Technology.

This is only one of the achievements of a project to develop electric vehicles, the Ministry of Science and Technology said over the weekend.

The project was initiated in January 2002 to help reduce the country's oil consumption and minimize air pollution, said Xu Jing, an official of the ministry's Department for High-Technology Development and Industrialization.

Clean emission vehicles currently developed in China mainly include those powered by a fuel cell, hybrids using both cleaner fuels and electricity and purely electric vehicles.

Most of the emphasis in China has gone to fuel cell energy. Fuel cells are powered by hydrogen.

The emission from these fuel cells is mostly water and, thus, no pollution, experts said.

According to Ouyang Minggao, a researcher with Tsinghua University's New Energy and Automobile Engineering Centre, the global automobile industry will consume more and more oil, vehicles will give off more carbon dioxide and further deepen global warming in the future.

Thus the development of electric vehicles will start playing a central role worldwide.

He said Beijing is building an experimental hydrogen station, to support the use of fuel cell-powered vehicles.

He said China's 16 cities have started to develop or even experiment with electric vehicles.

In Wuhan, capital city of Central China's Hubei Province, six electric buses have gone into operation, running a total of 140,000 kilometres and carrying an accumulation of 150,000 passengers.

The Chang'an Automobile Group Company in Chongqing Municipality has developed sample cars driven by mixed cleaner burning fuels which reach the European III emission standard.

China has started several big international co-operative programmes to develop electric vehicles, said Chen Jiachang, an official of the Department for High-technology Development and Industrialization of the Ministry of Science and Technology.

For example, in co-operation with the United Nations Development Programme and Global Environmental Foundation, Beijing and Shanghai have started their pilot programmes.

Under the programmes, six electric vehicles will respectively run in the two cities next year, according to Wan Gang, president of Shanghai-based Tongji University and head of the State key electric vehicles development project. (Source: China Daily)

Beijing to raise parking price
BEIJING, Dec. 21 (Xinhuanet) -- Government of Beijing has decided not to limit the number of cars in the city in near future, but to improve management on parking lots in downtown and heighten the price of parking gradually.

Liu Xiaoming, deputy director in charge of the city's transportation commission, said the government encourages residents to commute by public transportation facilities.

The city now has 1.09 million legal parking spaces in downtown Beijing, less than the number of cars in the area, which stood at 1.5 million ones.

Liu said the government has planed to improve public transportation facilities to cater to the demand of residents. Before 2008, all the old-fashioned bus will be updated.

By November this year, Beijing has had 2.27 million vehicles.

GM charges Chery for alleged mini car piracy
BEIJING, Dec. 18 -- US auto giant General Motors (GM) filed a lawsuit against China's Chery Automobile Co for alleged piracy of a mini car developed by its South Korean affiliate Daewoo.

The lawsuit, launched in the name of GM Daewoo Auto & Technology Co Ltd, contends Chery's QQ copied the design of Daewoo's Matiz while Chery claims it developed the QQ on its own.
GM's investigation results showed the two vehicles "shared remarkably identical body structure, exterior design, interior design and key components," GM China Group said in a statement on Thursday night.

GM's joint venture with Shanghai Automotive Industry Corp (SAIC) and Wuling Motor Corp in the southern Guangxi Zhuang Autonomous Region began producing the Matiz under licence from Daewoo as the Chevrolet Spark at the end of last year.

Chery, a State-owned car producer formed in eastern Anhui Province, began making the QQ in 2002.

"The Chinese Government advised GM to resolve the issue through mediation or legal means," Ken Wong, general counsel of GM Daewoo, said in the statement.

"Despite our good faith efforts and the assistance of the Chinese Government in the past year, Chery has been non-responsive to mediation efforts, and has even stepped up efforts to export the vehicle to other markets," Wong said.

Chery's alleged infringement has also been impacting the 4,300 employees of the GM joint venture and nearly 100 dealers for their Spark model in China, said Tim Stratford, general counsel of GM China Group.

GM China Group said some 8,000 Sparks have been sold in China.

Sales of the QQ are much higher than that of the Spark because of its earlier launch and lower prices, but the Chery official declined to reveal specific figures.

However, an official from Chery defended the company's practice on Friday, saying: "We conduct product designs according to international rules."

"Chery is one of the key State-backed automakers with depends on itself for self development," the official told China Daily.

The GM lawsuit came after officials from the State Intellectual Property Office announced in September that Chery's alleged infringement does not exist according to evidence provided by GM, despite the QQ's similar appearance with the Spark.

Japan's Honda Motor sued Shuanghuan Automobile in northern Hebei Province for infringement starting in October.

Honda accused Shuanghuan's Laibao SRV of copying its CR-V sport utility vehicle, requiring a compensation of 100 million yuan (US$12.1 million).

The Japanese automaker began making the CR-V in April at its joint venture with Dongfeng Motor Corp in central Hubei Province.

Toyota Motor Corp filed a trademark infringement lawsuit against Geely, the privately-owned compact car maker in eastern Zhejiang Province last year, but lost the case.

Analysts say more intellectual property disputes between domestic and foreign automakers will emerge as a result of Chinese firms' lack of strong development capabilities and the more profitable car market in China than in developed nations.

"Chinese automakers must enhance their independent development capabilities, instead of copying others. Otherwise, we will lag further behind foreign rivals," Jia Xinguang with the China Automotive Industry Consulting and Development Corp, said in an interview with China Daily.

Around 90 per cent of China's passenger car market is controlled by foreign brands.

Sales of China-made vehicles are forecast to exceed 5 million units this year, up from 4.4 million units last year. (Source: China Daily)

**China to be world's third largest automaker by 2010**

NANNING, Dec. 18 (Xinhuanet) -- China is expected to become one of the world's top three largest automakers by 2010.

China will make the automobile industry a pillar of the national economy in the coming six years, according to a blueprint for national automobile development in China's 11th Five-Year Plan period (2006-2010).
By 2010, the industrial added-value of the automobile sector will make up 5 percent of China's gross domestic product, while the sector's export value is scheduled to surpass 50 billion US dollars, the development blueprint predicts.

The automobile market in China is in a period of growth characterized by mass consumption. Auto-related industries such as raw materials and road construction are geared to the needs of automobile development, said Shen Ningwu, deputy secretary-general of the China Association of Automobile Industry.

As part of the efforts to join economic globalization, all major automakers in China have accelerated the pace of regrouping or mergers, Shen said.

The Shanghai Automotive Industry Corporation joined with its counterparts in 11 countries and regions including Germany, Japan, Sweden and Italy to build 60 joint ventures. The Chang'an Automobile Group has formed an auto production system by building three auto production bases in Chongqing and Nanjing cities and Hebei Province.

China encourages the establishment of some internationally competitive automobile groups and enterprises engaging in mass production of spare parts.

100 bln yuan to be invested in rural highway network

BEIJING, Dec. 26 (Xinhuanet) -- China will invest 100 billion yuan (12 billion US dollars) from 2006 to 2010 to build more rural highways, said Zhang Chunxian, minister of Communications, here Sunday.

At a yearly national communications meeting, Zhang said all administrative villages in China will be connected by highways at the end of 2010.

According to statistics from the transportation department, 123 towns and 11,200 villages have built highways in 2004. About 250,000 kilometers of highways have been upgraded to expressways and 130,000 kilometers of bituminous and cement roads are newly built.

With 8,500 buses running, farmers from 286 towns and 28,424 villages can easily go out.

The ministry works hard on building a bus network in rural areas, Zhang said. "Building highways in rural areas are the most beneficial to farmers."

The ministry's statistics show China has built 352,000 kilometers rural highways in 2003 and 2004, including 192,000 kilometers of bituminous and cement roads, surpassing the total mileage that it built in the 53 years since new China was founded in 1949.

However, roads in many rural areas are still very bad, and building highways for all China's villages is difficult, as it requires money, technology and support from local governments.

Zhang said the ministry will try its best to build highways on top of existing roads and not over farmland.

Car imports requires automatic import license

BEIJING, Dec. 24 (Xinhuanet) -- China's imported car buyers may have to acquire a license to get their car though customs as the country removes a quota system to fulfill its WTO commitments.

The Ministry of Commerce said the move is to better monitor the import of vehicles and regulate China's car market.

From next year, imported cars and car parts without an automatic import license will be fined by customs.

Car output down 5.7 percent year-on-year in Nov.

BEIJING, Dec. 24 (Xinhuanet) -- China's car output was 186,000 in November, down 5.7 percent year-on-year, statistics from China's National Bureau of Statistics showed.

According to the statistics, China's car output amounted to 2,095,700 from January to November in 2004, up 15 percent over the same period last year. With a minor rise, the car output in November ranked highest as of July in 2004.

With a rise of 3.7 percent in car sales in November nationwide, private car sales in Beijing, taking 10 percent of the market share in China, have been declining. According to the
statistics, sales of new cars in Beijing dropped by more than 30 percent in November year-on-year.

The statistics showed profit margins in the whole trade dropped notably in November, pushing the trade to the brink of loss.

Chongqing sees growth in motorcycle exports

CHONGQING, Dec. 20 (Xinhuanet) -- Southwest China's Chongqing Municipality registered a rapid growth in its motorcycle exports during the first ten months of this year, according to local customs.

Customs officials said the city’s motorcycle exports to the United States totaled 22.84 million US dollars, an increase of 240 percent over the same period of last year. Exports to Britain, Germany and Sweden were valued at 5.13 million, 1.39 million and 1.28 million dollars, respectively.

According to customs, the price of motorcycles from January to October this year rose to 342.9 US dollars, up from 309.2 dollars in 2002.

Customs said the exporting motorcycle’s cylinder capacity is mainly below 50 CC mini-power or above 150 CC high-power, and the price remains between 313.4-966.4 US dollars.

Domestic car makers urged to invest more in research

WUHAN, Jan. 3 (Xinhuanet) -- Dongfeng Motor Corporation, one of China's automobile giants, has set up the country's first joint-venture auto R&D center with Nissan of Japan. The move follows the diesel motor R&D center set up by Dongfeng and the Germany-based Commins earlier this year.

"To research and develop new automobile technologies will be an effective way for manufacturers to share profits in China," General Manager of Dongfeng Miao Xu told Xinhua recently.

Miao said more and more automobile manufactures have realized that China is turning into a global auto R&D center, in addition to a sales center.

When China's auto market slowed in May, 2004 and the prices of cars kept dropping, world auto giants increased their investment in research and development here.

US-based General Motors added 2.1 billion yuan (254 million US dollars) to its auto technical center in Shanghai in June this year, and Japan's Toyota Motor opened its two auto R&D centers in Shanghai and Guangzhou this year.

Germany's Volkswagenwerk AG also increased investment to its R&D center in China to which it has input 1.2 billion yuan (145 million dollars).

The tide of investment also flooded the auto parts production sector in China. In 2004, five overseas auto parts producers opened branches in Shanghai, with their total investment exceeding400 million yuan (48 million dollars).

At the beginning of this century, China was described as the "largest and the last virgin auto market in the world." Experts forecast that by 2005, about 42 million Chinese families will afford to purchase cars. In 2025, China is expected to take the place of the United States as the world's largest car consumer.

In 2001, 750,000 cars were sold in China. The next year, the number jumped to 1.2 million; it topped two million in 2003.

In the first five months this year, China maintained a 40-percent monthly increase of auto sales. But since July, the sales increase suddenly dropped to zero as a price war broke out among the country's auto manufacturers.

Experts said the price war marked the end of a history of huge profits in China's auto market.

After twenty years of development, China's auto market is still controlled by auto giants from Germany, the United States and Japan. Domestic manufacturers produce poorer quality cars, say experts.

Starting in 2005, China will cancel quotas for importing cars from foreign countries and continue to lower import tariffs on automobiles. Customs sources said by July 1st, 2006, the import tariff on cars will be dropped to 25...
percent, and the tariff on parts will be dropped to 10 percent.

Experts said the policy will greatly benefit the overseas auto giants in China and their moves to strengthen R&D sector will also help them expand market in China.

Experts then urged domestic auto manufacturers to take the opportunity to cooperate with overseas partners in research and development and try to produce more cars adaptable to the China market in the future.

According to a blueprint for national automobile development in China's 11th Five-Year Plan period (2006-2010), China will make the automobile industry a pillar of the national economy in the coming six years. The country expects to become one of the world's top three automakers by 2010.

By 2010, the industrial added-value of the automobile sector will make up 5 percent of China's gross domestic product, while the sector's export value is scheduled to surpass 50 billion US dollars, the development blueprint predicts.

China was the world fourth largest producer of motor vehicles in 2003. It produced four million vehicles, more than half of which were cars.

Report shows Chinese consumers more satisfied with auto sector

BEIJING, Jan. 2 (Xinhuanet) -- Chinese consumers have expressed increased satisfaction with the auto industry in a country where auto sales have seen booming growth, according to a recent report produced by the Chinese Society for Quality.

The consumer satisfaction index (CSI) for the auto industry was 72.2, up slightly 0.8 from 2003 and 1.1 from 2002, signaling consumers' increasing recognition of the sector.

The report, the only one conducted at a national level, selects 20 auto brands that top the sales and market share lists in 2003, including those produced by Shanghai Volkswagen, FAW Volkswagen, Guangzhou Honda and Beijing Hyundai.

The 20 brands took up 71.5 percent of market share and included all brands that sold over 40,000 units in 2003.

According to the latest statistics of the China Association of Automobile Manufacturers, auto production and sales both exceeded 4.5 million in the first 11 months of 2004, each up more than 16 percent year-on-year.

Nissan plans engine plant in Guangzhou

BEIJING, Dec. 22 -- Japan's Nissan Motor Co. said Tuesday its joint venture with China's Dongfeng Automotive Investment Co., Dongfeng Motor Co., would begin construction of a 3-billion-yuan (US$360 million) engine plant in Guangzhou.

The new plant would start producing Nissan's new global generation of environment-friendly engines in early 2006 for supply to Dongfeng Motor's passenger car plants in China, Nissan said.

Its production capacity is expected to reach more than 360,000 units by 2008, with a workforce of 1,500 people.

The plant, to be built on a 390,000-sqm site in Huadu District, would have casting, machining and assembly shops, Nissan said.

Dongfeng Motor launched two car assembly plants this year, including a facility in Huadu to assemble the Nissan Sunny and Bluebird cars and another in Xiangfan in the central province of Hubei to manufacture the Teana cars.

Guangzhou, China's third-largest car production center behind Shanghai and Jilin Province, is expected to produce 1.3 million automobiles worth an estimated 300 billion yuan by 2010.

The city's automobile industry was projected to gross 46.627 billion yuan in sales, up 69.3 percent from a year earlier, Lin Yuanhe, executive vice mayor of Guangzhou, said earlier this month.

Lin estimated the city's car output could reach 400,000 units this year and rise to 800,000 units in the next two to three years.

The automobile industry would become one of Guangzhou's pillar industries to maintain its double-digit economic growth, Lin said.
Guangzhou is virtually encircled with car plants. Nissan’s joint venture started operations this year on the northern outskirts. Honda Motor Co. makes its popular Accord sedans and Odyssey minivans in a joint venture with Guangzhou Automobile Industry Group on the eastern outskirts, while Toyota Motor Corp. has unveiled plans to build Camry sedans in partnership with the same Chinese company in the south.

Industry sources have said the city is negotiating with France-based Renault for a possible joint venture.

The city had also attracted more than 200 car parts manufacturers, Lin said. (Source: Shenzhen Daily-Agencies)

**Sino-German JV to produce auto chassis in Hubei**

WUHAN, Dec. 22 (Xinhuanet) -- Thyssen Krupp, one of the Fortune top 500 from Germany, is building a world-class auto chassis production base in this capital city of central China's Hubei Province.

A foundation laid ceremony for the joint venture was held recently at the Donghu New and High-Tech Development Zone of Wuhan, according to local sources.

The German company has invested 500 million yuan (60.2 million US dollars) in the joint venture, holding 51 percent of the stake, while its Chinese partner, the Wuhan Zhongren Auto Parts Co., takes the remaining 49 percent, the sources said.

The joint venture will employ advanced technology from Germany, France and Britain to produce auto chassises, large punched parts for auto bodies and assembly parts.

Its first-phase project, involving 150 million yuan (18.1 million US dollars), will be completed in June 2005. It hopes that the annual volume of business will surpass more than 600 million yuan (72.3 million US dollars) in five years, the sources said.

Boasting the world's largest emerging auto market, China is forecast to produce more than 5 million motor vehicles this year.

**Fuji plans to produce cars in China**

BEIJING, Dec. 25 -- Japan’s Fuji Heavy Industries Co is considering producing its Subaru-brand cars in China when sales of imports reach 5,000 units a year.

"Sales of 5,000 units is the basis for us to produce in China. We will strive to achieve the sales target in 2006," Fuji Heavy said in a statement to China Daily.

Asked whether it will use plants of its biggest shareholder General Motors (GM) in China, Fuji Heavy said: "Subaru has just entered the China market and we are seeking a proper channel for local production. We won't rule out the possibility of finding other partners since GM has its own strategy in China."

Fuji Heavy launched Subaru Legacy, Outback, Impreza and Forester in China in June.

The company has sold 500 cars in China this year and aims to boost sales to 2,500 to 3,000 units next year.

Fuji Heavy will establish Subaru (China) Co Ltd in Beijing during the first half of 2005, which will be in charge of imports to and exports from China as well as be responsible for finding local partners, the company said.

Fuji Heavy clinched a technical licensing deal with State-run Guizhou Aviation Industry Corp in Southwest China in 1992 and formed a joint venture with the Chinese firm in 1998 to produce local brand WOW compact cars based on a Subaru model.

However, Fuji Heavy withdrew from the joint venture last year as a result of sluggish sales.

According to earlier reports, the floundering venture has been taken over by a privately-owned firm from East China's Zhejiang Province.

Analysts say Fuji Heavy is very likely to use GM's facilities in China to produce Subaru cars as it would be more economical than teaming up with other partners.

"It will be difficult for Fuji Heavy to get the blessing from the Chinese Government if it wants to form a new joint venture with other local partners, because it is just a small player compared with global auto giants and the government is controlling new car projects to tame overheating investment in the auto
industry," said Li Chunbo, an analyst with CITIC Securities Co.

GM operates four joint venture vehicle plants in Northeast, East and South China with Shanghai Automotive Industry Corp - China's top car producer - and Wuling Motor Corp, one of the nation's biggest mini van makers.

"We expect to cut costs and enable Chinese customers to enjoy more Subaru products (through local production), but top priority now is to find more dealers as Subaru is not well-known and does not have a sound sales network in China," Fuji Heavy said.

The company said that it plans to increase the number of Subaru dealers in China to 70 next year from 40 at present. (Source: China Daily)

Kia Motors plans strong expansion despite slowing market

BEIJING, Dec. 27 -- Kia Motors, owned by South Korea's biggest automaker Hyundai Motor, said that it will push ahead with its aggressive expansion plans in China, although car sales growth in the nation is slowing sharply.

"Our investment and production capacity plans in China will remain unchanged, despite plunges in local car sales growth," said Lee Hyoung-keun, the newly-appointed chief executive officer of Kia's joint venture in eastern Jiangsu Province.

Kia and partners Dongfeng Motor Corp and Yueda Group plan to quintuple investment in the joint venture to US$648 million and nearly quadruple its annual production capacity to 400,000 cars by 2008, a former senior executive of the venture told China Daily.

"As well as other automakers in China this year, we are facing great difficulties because of the overall market slowdown. However, we will hold our ground with the launch of many new competitive products and the market is expected to rebound in 2007," Lee said.

Lee said that the joint venture has lowered its sales target this year to 65,000 cars from 80,000 units.

The venture sold 50,000 cars last year, almost double that in 2002.

The venture now produces Qianlima and Optima sedans and Carnival multi-purpose vehicles.

Kia will start to produce 1.6-and-1.8-litre Cerato sedans at the joint venture during the second half of next year, Lee said.

The venture is also considering launching a sports utility vehicle (SUV), he said, declining to reveal the specific model and timetable.

"We will wait and see the performance of Hyundai's Tucson SUV in China," he said.

Hyundai will start to produce the Tucson at the beginning of next year in its joint venture with Beijing Automotive Holding Corp.

Kia will account for 40 per cent of Hyundai's target to sell 1 million cars in China annually by 2010, Lee said.

"Everybody was over-optimistic about China's market this year because of breakneck car sales growth last year. But automakers, dealers and customers are expected to be cool-headed next year," he said.

Total sales of China-made vehicles grew by 16.81 per cent to 4.58 million units in the first 11 months of this year from a year earlier.

The growth was down from 34 per cent last year. Growth of domestic car sales dropped to 16.90 per cent during the period from 75 per cent last year.

Lee predicted that China's auto market will grow 10 to 15 per cent next year.

Hyundai also runs a commercial vehicle joint venture with Jianghuai Automobile Co in East China's Anhui Province and has technical licensing deals with Huatai Automobile Co in eastern Shandong Province, which is producing the South Korean firm's Terracan SUV. (Source: China Daily)

FAW car sales top 1 million units

BEIJING, Dec. 29 (Xinhuanet) -- First Automotive Works Corp (FAW), China's biggest vehicle producer, announced yesterday its sales exceeded 1 million units so far this year.

The State-owned company, based in Changchun, capital of Northeast China's Jilin
Province, became the first Chinese automaker to hit the 1-million sales mark in one year.

Sales are up from 900,000 vehicles last year.

Its own brand vehicles accounted for 50 per cent of the sales this year, including 244,000 Jiefang (Chinese for liberation) trucks and 15,000 Red Flag sedans, the company said.

FAW said it also exported 10,000 of its own brand vehicles this year.

"We achieved the sales target this year despite a lot of (negative) factors, including decelerating sales growth on the domestic auto market, high-flying raw material prices, increases in car loan interest rates and nose-diving car prices," FAW said.

Sales of China-made vehicles rose by 16.81 per cent year-on-year during the first 11 months of this year.

The growth was down from 34 per cent last year. Growth of passenger car sales plunged to 16.9 per cent during the period from 75 per cent last year.

Prices on the domestic car market have declined by more than 10 per cent this year from last year.

FAW, established in 1953, is seen as the cradle of China's automotive industry.

It operates a car joint venture with Germany's Volkswagen in Changchun, producing Jetta, Bora, Audi and Golf vehicles.

Sales of the joint venture, FAW's biggest unit, reached 300,000 cars this year.

FAW has joint ventures with Japan's Toyota Motor in North China's Tianjin Municipality and southwestern Sichuan Province to produce Vios and Corolla, and Coaster and Land Cruiser Prado models respectively.

FAW Car Co Ltd, FAW's listed unit, produces Mazda 6 sedans under a technical licensing deal with the Japanese car maker.

FAW has also greatly contributed to Jilin's economic growth.

Its output in the province exceeded 600,000 vehicles this year with sales revenue reaching 87.3 billion yuan (US$10.5 billion), the company said. (China Daily)

Green light for tripartite auto joint venture

BEIJING, Jan. 8 (Xinhuanet) -- Ford Motor Co. has announced that the Chinese government has approved its new car joint venture with its Japanese unit Mazda and China's Chang'an Motor Corp.

The new venture, to be located in Nanjing, capital of East China's Jiangsu Province, will have an initial annual manufacturing capacity of 160,000 cars, which could be expanded to as many as 200,000 units, Ford said in a statement.

Mazda, in which Ford has a 33.4 percent stake, will have an equity stake in the new venture, Ford said, without elaborating.

Initial investment in the new venture will amount to 4 billion yuan (about 482 million US dollars), China Daily quoted sources from Chang'an as saying on Saturday.

The new venture will use Mazda's manufacturing process as a blueprint to produce a number of Ford and Mazda vehicles, Ford said.

"With Mazda joining us in this new project, we expand our ongoing co-operation that has us building vehicles together on four continents (America, Europe, Asia and Africa). By using a combination of Mazda's manufacturing expertise and Chang'an's deep knowledge of China, we will all benefit," Mark Schulz, Ford's executive vice-president, was cited by the newspaper as saying.

The new venture is part of Ford's plan to invest more than 1 billion dollars in China announced in October 2003 and will be the second plant of the US giant's existing joint venture with Chang'an in southwestern Chongqing Municipality.

Ford's total sales in China, including those of its affiliates Mazda, Volvo, Land Rover and Jaguar, more than doubled last year's from 2003, the newspaper said.

But Ford lags far behind rivals, such as Volkswagen and General Motors by sales in the Chinese auto market.
Oil and Gas

Refining capacity rise lags demand growth

BEIJING, Dec. 22 -- China would add 180,000 barrels per day (bpd) of crude refining capacity next year, but this would be too small to meet demand growth and might prompt higher imports of diesel and fuel oil, traders and analysts said.

The world's No. 2 oil consumer is planning a much bigger round of expansion in 2006-2009 with an additional capacity of up to 1.27 million bpd, or 20 percent of its current total.

The 180,000-bpd addition next year in Shanghai and Guangdong would meet less than half the country's total oil demand increase of 360,000 bpd forecast by the International Energy Agency (IEA).

The new units came on top of expansions of a similar scale this year at Zhenhai Refining & Chemical Co., Jinling Refinery and West Pacific Petrochemical Co.

"The diesel shortfall will increase drastically. The increase in refining capacity would not be big enough to catch up with the demand," said Yan Kefeng, senior oil analyst at Cambridge Energy Research Associates from Beijing.

China's plans to rein in blistering economic growth and to ease power shortages is expected to moderate Chinese oil demand from this year's double-digit rally, but a construction boom and bustling transport sector would continue to drive consumption.

Industry sources estimated China might need to import 4-6 million tons of diesel in 2005, sharply above this year's estimated imports at 2.45 million tons.

China, which is already importing crude at a record 2.5 million bpd and pumping near full throttle, is traditionally long on gasoline and short on diesel and fuel oil.

Sources expected China's fuel oil imports to grow further as refineries, especially those owned by small independent firms, cracked more heavy residue fuel into distillates.

While IEA expected China's oil demand to rise 5.7 percent next year, or 360,000 bpd, off this year's 14.7 percent, Chinese industry officials have a more bullish view.

Oil officials expect consumption of refined oil products — gasoline, diesel and kerosene — to grow 8-9 percent to 170 million tons in 2005, compared with a 19 percent surge this year, official media reported last week.

State refiners Sinopec Corp. and PetroChina were also on track to add secondary units — mostly hydrocrackers and cokers — to meet cleaner fuel standards and boost output of more valuable transportation fuels at the expense of heavy residues.

The two refining giants have built up a total of about 60 million tons per year (1.2 million bpd) in crude distillation units to process cheaper, high sulphur crude, and have been upgrading its secondary units to match these basic capacity.

Apart from bridging a widening gap in diesel supply, the additional capacity would be used to produce naphtha to feed a string of new petrochemical complexes.

China will start operating 1.5 million tons per year of new ethylene capacity by June 2005 in Shanghai and Nanjing, and is set to add 800,000 tons per year by the end of next year in Guangdong's Huizhou City. (Source: Shenzhen Daily - Agencies)

Shell to double gas stations

BEIJING, Jan. 10 -- Anglo-Dutch oil giant Royal Dutch/Shell aims to double the number of its gas stations on the Chinese mainland - excluding Jiangsu Province - each year in the next few years to capitalize on China's booming oil fuel retail market.

Shell has 45 gas stations on the mainland currently, said Terry Blaney, the general manager for Shell's retail business in China and the Philippines, on the sidelines of a Shell-sponsored seminar on sustainable development held in Guangzhou over the weekend.
In eastern China's Jiangsu Province, Shell launched a US$187 million joint venture last year with China Petroleum and Chemical Corp, China's largest oil refiner for running 500 gas stations.

Opening up China's oil retail market in December last year according to its commitment to the World Trade Organization, the Chinese Government also approved a joint venture between BP and PetroChina in southern China's Guangdong Province, and one between BP and Sinopec in eastern China's Zhejiang Province. More Sino-foreign ventures are also waiting for a go ahead.

Shell is also talking with local companies about further expanding its retail business in China, Blaney said.

Shell's non-fuel business at the gas stations, including convenience stores and car care services- which remain relatively small - will also expand since increasing competition in the market had turned it into a necessity, he said.

Shell invested about US$1 billion in China last year, bringing its total so far in the country to US$3 billion, said Nick Wood, Shell's Beijing-based spokesman.

The company is in discussions about further involvement in liquefied natural gas business in China, Wood said, adding that it is interested in a number of liquefied natural gas (LNG) projects including one in eastern China's Shandong Province. Shell has a share in a gas project in Australia, which inked a deal last year to supply LNG to China's first LNG project located in Guangdong. (Source: China Daily)

Private oil firms eye global opportunities

BEIJING, Jan. 10 -- China's private oil firms have unveiled plans to become listed on overseas markets this year.

Wang Degang, deputy secretary-general of the China Chamber of Commerce for the Petroleum Industry, the first association for China's private oil firms, revealed the scheme in an interview with China Daily.

He said that the establishment of listed companies by the chamber is part of its strategy to gain a foothold in the international oil market, which includes the establishment of a petroleum industry fund.

The new companies are expected to be established through restructuring and merging of some of the chamber's more than 100 members, said Wang.

"China's private oil firms will represent a strong presence in the country's oil market, if united," said Wang, adding that the chamber "as a non-profit organization, serves as a platform for its member companies' co-operation with major domestic and foreign oil firms, to safeguard the country's energy security, and to promote China's petroleum industry."

China's private oil sector currently boasts total assets of approximately 200 billion yuan (US$24.1 billion), Zhao Youshan, the chamber's vice-president, earlier told China Daily.

The chamber is currently planning at least six visits to oil-producing countries this year, including Russia, Canada, and nations in the Middle East, said Wang.

It expects to reach co-operation deals in the upstream, middle-stream and downstream oil business sectors through the new company and the coming visits, according to Wang.

The upstream oil business refers to oil exploration and crude production; middle-stream refers to oil product transport; and downstream oil business refers to oil refining.

Private oil firms have certain advantages over their State-owned counterparts, said Wang.

"Private oil firms respond more efficiently to market changes and are quicker at making decisions," he said.

But industry experts warn that these private oil firms still face obstacles in competing with domestic and foreign oil giants, including their comparatively small business and capital scale, and weakness on the international oil market.

Wang expects to co-operate with China's three oil giants, including Sinopec, PetroChina and China National Offshore Oil Corp (CNOOC), when the chamber strikes large oil business co-operation deals with foreign oil companies.
A Sinopec department deputy manager said they “would be glad” to co-operate with private oil firms in potential projects, which would be of mutual benefit and promote the country's petroleum industry.

The Chinese Government is attaching an increasing importance to the growth of the country's private oil sector.

In mid-December last year, the National Development and Reform Commission invited representatives from the chamber to report on the situation of China's private oil firms, the first time the country's private oil business had been given a say in the sector's development.

On December 29, 2004, the State Council Development Research Centre again invited the chamber's representatives to give their opinions on reforming China's current oil distribution system.

"We are glad to see the government's action in promoting the private oil sector, which will further sharpen China's competitive edge on the world's oil market," said Wang.

The Ministry of Commerce liberalized the finished oil market from January 1, by deciding that any firm meeting the government's standards will be able to take part in this business.

But one of the government's conditions, "a stable source of crude oil," is currently unattainable for the private firms, as State-owned Sinopec and PetroChina still control the country's crude oil sources, with private firms having no other option but to purchase crude oil from them.

The chamber hopes the central government will soon alter the rules of the game, giving the private sector an equal footing in the business.

"Petroleum, however, as a special energy resource of strategic importance to a country's development, cannot be fully marketized, and China's oil distribution reform still has a long way to go," said an industry analyst with a Beijing-based research institute. (Source: China Daily)

CNOOC may takeover Unocal

BEIJING, Jan. 7 -- China's third-biggest oil and gas group CNOOC is considering a bid of more than 13 billion dollars for its US rival Unocal.

The deal would mark the largest and most significant overseas acquisition by a Chinese company.

The Financial Times reports that the state-controlled group is interested in Unocal's Asian assets and has asked bankers to study a takeover of the whole company followed by a subsequent sale of the US assets.

The company is likely interested in Unocal's operations in Indonesia, Thailand, Bangladesh and Burma.

The plan is still at a very early stage, and detailed talks have yet to take place. But the Chinese group is also looking at other overseas targets.

Industry experts expect that buying Unocal would be difficult for CNOOC, which has a market value of about 21.5 billion US dollars and had cash resources of 1.6 billion at the end of 2003.

But it would be able to draw on financial help from its state-owned parent China National Oil Offshore Corporation and on the proceeds of any sale of Unocal's US assets. (Source: CRIENGLISH.com)

CNOOC in LNG terminal venture with Shenergy

BEIJING, Jan. 7 -- China National Offshore Oil Corp. (CNOOC) said it had launched a joint venture Dec. 31 to operate a liquefied natural gas (LNG) terminal in Shanghai that would form part of a network of LNG terminals it planned to build along the country's eastern coast.

CNOOC Gas & Power Ltd., a unit of CNOOC, holds a 45 percent stake and Shanghai's Shenergy Group the remainder.

The Shanghai terminal project will comprise two phases, and the terminal is expected to start operating in the first half of 2008, CNOOC said in a statement.

With a total investment of 4.59 billion yuan (US$554.35 million), the first phase of the Shanghai terminal's construction will comprise
building a terminal that will be capable of receiving three million metric tons of LNG annually. The terminal will comprise an LNG wharf, two 160,000-cubic-meter LNG storage tanks and an undersea gas pipeline.

CNOOC didn’t provide an estimate on total investment for the project or information on the second phase of construction.

Construction of three other LNG terminals has already begun in the southern provinces of Guangdong and Fujian and eastern Zhejiang Province.

In October last year, CNOOC reached tentative agreements with the provincial governments of northeastern Liaoning Province and eastern Jiangsu Province to build LNG terminals in the cities of Yingkou and Binhai respectively.

The company is also planning to build an LNG terminal in the port city of Tianjin.

If all of the projects go ahead, CNOOC will be able to establish a chain of LNG terminals along the coast, nurturing the LNG business as a new source of revenue. (Shenzhen Daily-Agencies)

Qinghai Oilfield produces 4 million tons of oil and gas

XINING, Jan. 5 (Xinhuanet) -- Qinghai Oilfield, in charge of oil and gas development in northwest China’s Qaidam Basin, reported oil and gas output of 4 million tons in 2004.

The field produced 2.22 million tons of crude oil and 1.78 billion cubic meters of gas, according to latest statistics from the Qinghai Oilfield branch of the China National Petroleum Corporation.

The oilfield, which started production in 1954, has found 25 oil and gas fields in the basin, verifying and controlling 400 million tons of oil reserve and 400.5 billion cubic meters of gas reserve.

But owing to remote location and poor transportation condition, the crude output in the oilfield fluctuated at 300,000 tons annually in the first three decades of operation.

Since the 1990s, the Qinghai Oilfield has made a series of breakthroughs in exploration technologies, which has stepped up oil and gas development in the basin. The output of oil and gas has maintained a yearly growth rate of more than 10 percent.

Rosy future for west-east pipeline

BEIJING, Jan. 6 -- Three years ago, the gigantic west-east gas pipeline project was overwhelmed with doubts over whether there was enough demand for gas.

Now, the project, which delivers gas from the deserts of western China’s Xinjiang Uygur Autonomous Region to East China’s Shanghai through a 4,000-kilometre pipeline, has become a hot issue in the market.

As oil and coal prices continued to surge over the past three years, gas demand quickly rose to the same level as the project’s designated production capacity.

Three years ago, PetroChina, the operator of the project, was saddled with the problem of how to find more customers.

Now, the company is happy to find itself with the opposite “problem” of how to increase its production capacity to meet robust demand.

It seems to be a happy ending for everyone involved.

Customers, including chemical plants, power firms, gas distributors and residents, get clean and efficient natural gas; the better-than-expected gas demand helps the project make a profit this year, far ahead of PetroChina’s schedule. For the government, the project contributes to its western development strategy. It also fulfills the government’s plan to increase natural gas consumption to reduce heavy reliance on oil imports and help protect the environment.

But analysts warn that the champagne corks should not start popping yet, as daunting challenges lie ahead, analysts said.

Above all, it remains questionable whether customers would observe long-term gas purchase contracts once the prices of alternative energy fall, analysts said.

In particular, power plants, which account for one-third of the total gas consumption of the project, have not yet received prime-pumps to
support them to replace the cheap coal with the natural gas for fuel.

Prices of natural gas are twice as much expensive as that of coal. Without incentives, such as favourable electricity tariffs, power plants may have to face fat losses, analysts said. (Source: China Daily)

Pollution

Crook uses bribes to fuel dirty coal business

BEIJING, Dec. 17 -- Money makes the mare go.

Li Jianming, a 28-year-old coal businessman, knows that saying well.

Li, who was engaged in the coal industry for seven years, used money to pave the way for his polluting high-sulphur coal, which is banned in Beijing, entering into the capital city’s market easily.

Li is now held by the procuratorate of Beijing’s Yanqing County in custody for bribery, Xinhua News Agency reported.

Li said he plunged almost half of all his profits in offering bribes to build a protective umbrella for his business, says the report.

A preliminary investigation shows that at least two government officials and three senior cadres of two large State-owned heating power companies in Beijing were found to have accepted bribes from Li.

Although the total amount of the bribes is not available, Li has confessed that he once gave Zhao Kuiyu, head of the Blue Sky Heating Company, 1 million yuan (US$120,000).

Zhao's company is in charge of providing heating to the households in the community of Wangjing, one of the largest residential areas in Beijing, and needs around 3.5 million tons of coal annually.

Money made Li become the sole coal supplier to the Blue Sky Heating Company, and also a major supplier to the Beichen Heating Power Plant. Both companies are large-scale, State-owned firms.

The corruption network also includes two government officials with the Beijing Municipal Bureau of Quality and Technical Supervision who are in charge of checking the quality of coal.

The coal sold by Li had high sulphur content, but it could easily pass government checks as low-sulphur coal, which costs twice as much.

"Whether a batch of coal can pass examinations or not is decided by the small shovels used to take samples. The shovels have no eyes, but the people have," one of the two officials named Sun Jiyong was quoted by Xinhua as saying.

Sun said they informed Li ahead of examinations where they would choose samples from a truck. Li thus put some low-sulphur coal at the designated places for testing.

Li's government umbrella also protected him from an examination on coal quality that was jointly launched by several government department last winter.

The two officials said several days ahead of the action, they gave Li detailed information and helped him make preparations.

Guo Junqing, head of the Beijing Municipal Bureau of Quality and Technical Supervision, was quoted by the Beijing Times as saying that Li's case sounds an alarm to the management of his bureau and pledged to make efforts to enhance the supervision on coal quality. (Source: China Daily)