



The China Sustainable Energy Program
中国可持续能源项目

C H I N A C L I P P I N G S

Issue 17

April 2005

Message from the Director:

Dear Energy Policy Colleagues:

Attached is the latest quarterly update of the China Sustainable Energy Program.

Under pressure to meet the nation's surging demand for power, the National People's Congress (NPC) adopted a Renewable Energy Law earlier than expected this year. The law, which will come into effect January 1, 2005, includes tax incentives and subsidies for renewable energy projects and a national fund for research and development. The NPC has tasked the National Development and Reform Commission (NDRC) to develop detailed implementing regulations for the law. Grantees will be working closely with NDRC over the coming months to incorporate a target mandating that 10 percent of national electricity come from renewables by 2020.

China's thirst for oil and cars continues to make world headlines. China's government realizes that the rising demand for cars is worsening urban air pollution, and is responding by increasing research into advanced technology vehicles and alternative fuels. The State Environmental Protection Administration promulgated new national tailpipe emissions standards in April, including criteria pollutant limits for light- and heavy-duty vehicles.

Best regards,
Doug Ogden

Contents

Program Updates April 2005	2
Workshop Updates April 2005	3

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威廉与佛洛拉·休利特基金会 合盟
能 源 基 金 会

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Program Updates April 2005

Renewable Energy

China's National People's Congress (NPC) adopted a Renewable Energy Law on February 28th, 2005. The law requires all utilities to purchase 100% of the output of approved renewable energy facilities, including small hydro (under 25-MW), wind, solar, geothermal, and biomass. The law establishes a national fund to foster renewable energy development, and discounted lending and tax preferences for renewable energy projects. The grid's buying price for renewables will be set by the National Development and Reform Commission (NDRC), and marginal costs will be spread across all customers on the grid. The NPC also delegated authority to NDRC to develop implementing regulations; NDRC previously developed a renewable energy plan that includes a national electricity target of 10% renewables by 2020 (up from 3% today). Grantees will be working over the coming months to incorporate the target into the law's implementing regulations.

NDRC approved the third batch of wind concession projects totaling 450 megawatts, a \$400 million investment in new wind energy technologies.

The National People's Congress (NPC) will examine a draft law to encourage the use of renewable energy. SOHU.COM



The Center for Resource Solutions is to be commended for these extraordinary renewable energy policy developments.

Electric Utilities

NDRC adopted electricity pricing reforms at the end of March that better align electricity prices with social costs, including in three areas: (1) interconnection fees, (2) transmission and distribution tariffs, and (3) retail tariffs. NDRC now has discretion to charge higher interconnection fees for older, dirty coal plants.

Low-Carbon Development Paths

Vice Premier Zeng Peiyan called on the Ministry of Finance (MOF) and NDRC to expedite tax and fiscal policy reforms to promote energy efficiency and renewable energy; tax and fiscal policy reforms targeting MOF activity are a principal emphasis of CSEP programs in 2005. Grantee the State Council Development Research Center is coordinating an inter-ministerial policy reform project calling for institutional and capacity enhancement reforms, energy pricing reforms, and tax, fiscal, and investment policies to promote

energy efficiency and renewable energy development.

CSEP successfully recruited three new Senior Policy Advisory Council (PAC) members, including the Vice Minister of MOF, Vice Minister of the Ministry of Construction (MOC), and the Vice Administrator of the State Environmental Protection Administration (SEPA). We also added seven new directors-general for the Dialogue Partners group, including from NDRC, MOF, SEPA, and MOC.

Buildings

MOC issued China's first national commercial building code in early April, aimed at incorporating best practice energy efficiency into China's burgeoning skyscraper buildings. The code is expected to cut 50 million tons of carbon in 2020.

Industry

In a meeting with the National People's Congress, Premier Wen Jiabao called for expedited efficiency in large industrial enterprises, including national adoption of energy savings targets piloted by CSEP grantees in Shandong Province. There is speculation that China may reinvigorate the industrial energy auditing efforts of the 1980s to counter the rampant waste of coal-fired and oil-based industrial energy.

Transportation

SEPA promulgated new national tailpipe emissions standards on April 27th, including new criteria pollutant limits for light- and heavy-duty vehicles, and noise limits for motorcycles and mopeds.

Beijing launched the design phase of two more bus rapid transit (BRT) corridors (modeled on the first corridor, half of which is now operating). The City of Jinan similarly launched the design phase of a new BRT corridor.

The Beijing municipal government issued the official registration of the Hewlett Foundation-supported China Sustainable Transportation Center (CSTC), which provides technical advice and support to all Chinese cities developing BRT systems.

Workshop Updates April 2005

Fiscal Policies for Promoting Advanced Vehicle Technologies

China is poised to develop tax and fiscal policies to penalize older, dirtier technologies generally and provide incentives for newer, cleaner technologies. Rising oil imports have been a principal concern driving the interest in tax and fiscal policy reforms. The China Automotive Technology and Research Center (CATARC) with assistance from The Energy Foundation and The William and Flora Hewlett Foundation held an International Conference on Tax and Fiscal Policies for Promoting Cleaner and More Efficient Vehicle Technologies on March 21-22, 2005 in Beijing. The conference introduced tax and fiscal policies used in the U.S., Canada, Japan, and the European Union to promote clean and efficient vehicle technologies, and brought together over 100 Chinese and international experts, as well as officials from the Ministry of Finance, the National Development and Reform Commission (NDRC), and State Environmental Protection Administration.

Renewable Energy Law and Implementation Rules

On April 5, 2005, the National People's Congress' (NPC) Legal Affairs Committee, Environment and Resources Committee, and Legislative Affairs Committee, as well as the National Development Reform Commission, Ministry of Finance, and the State Council's Legal Affairs Office sponsored a major symposium on implementation regulations for the Renewable Energy Law. The focus included discussions about whether large hydro-power should be within the definition of renewable energy (advocates pushed for keeping large hydro out of the definition). The symposium aimed to quicken the pace of formulating implementing regulations ahead of the January 1, 2006 deadline.

Mandatory Labels for Home Appliances

Starting March 1, 2005 all home refrigerators and room air conditioners manufactured, sold or imported into China must carry an energy efficiency label. To ensure effective implementation, the China National Institute of Standardization invited local energy conservation authorities and quality inspection authorities to attend training on March 5, 2005. Officials responsible for establishing the energy efficiency labeling system at the State Bureau of Quality and Technical Supervision and NDRC's Energy Conservation Division attended.

Fiscal Policies for Promoting Advanced Vehicles Technologies Conference, March 21-22, 2005, China World Hotel, Beijing.

