

## Notable Energy Developments in China since EWG22

The Year 2001 witnessed a fairly good performance of China energy industry. The energy production and consumption were robust. Great achievements have been made in the construction of energy infrastructure and the reform of power sector.

### **1. Further growth of energy production.**

According to preliminary statistics, the overall production of primary energy in 2001 was roughly 1170 million tons standard coal, up 8.4% from last year. The output of coal grew by 10.9% to 1110 millions, that of oil went up by 1.3% to 165 million tons, that of natural gas grew by 11.5% to 30.3 bcm. The electricity generated reached 1478 billion kwh with a 9% growth, among which, the thermal power went up by 8.5% to 1202 billion kwh and hydropower went up by 5.9% to 257.5 kwh.

With an intensified exploitation of oil and natural gas as well as further development of hydro power stations, the proportion of clean energy such as oil, natural gas and hydropower has increased quickly. Therefore, the energy mix has been improved.

### **2. More investment in energy infrastructure.**

As part of the expansionary fiscal policy and moderate monetary policy, investment in energy infrastructure was further increased. In 2001, 394,160 million Yuan RMB investment was made in building energy infrastructure, which accounted for 10.7 % of the overall social investment in fixed assets. (1) Investment in coal industry was 19,468 million Yuan and helped add 10.8 million ton production capacity. (2) Investment in oil and gas industry was 98,100 million Yuan and thereby production capacity of oil increased by 18.98 million tons and that of natural gas went up by 2.1 bcm. The proven reserve of oil registered at 890 million tons and that of natural gas at 461.3 bcm. (3) The investment of 265,800 Yuan was made in the power sector, up 41.7 % from last year. The installed capacity of new large and medium sized power stations reached 20 gig watts, among which 14.98 gig watts was put into operation. Over 14,000 km 110,000 volt-plus power transmission line was built. (4) The capacity of large-sized on-grid wind power increased by 56,000 kilowatts, small sized wind power went up by 4000 kilowatts, small hydro power (below 50,000 kilowatts) increased by 1500 megawatts, biomass up by 4000 kilowatts and photo-voltaic up by 1000 kilowatts.

Building more energy infrastructure played a positive role in expanding domestic demand

and stimulating economic growth and contributed to the sustainable development of energy, economy and environment. The “West-East” Power Transmission Line, a large group of hydropower stations and thermal power stations have been built to readjust the energy mix in the coastal area, improve resource allocation and upgrade environmental quality.

### **3. Power Sector Reform.**

The draft program of power sector reform was approved and waited to be implemented. The power sector reform aims at separating government and business functions, breaking down monopoly, optimizing power resource allocation and strengthening supervision. The key measures of the reform is to separate the management over power plants from the power grid and to have the power stations compete for the connection with the power grid. The separation of power plants from the power grid mainly targets at the State Power Company, which owns the majority the power grids and half of the power plants. Those power plants will be separated from the power grids and form several power companies. The power grids will reorganized as regional power grid companies. Corporatization program will be carried out restructure the grid assets owned by the State Power Company into power grid companies. The State Power Company may hold the majority shares of 5 regional companies.

All the power plants will be required to compete for connection with the grid based on the tariff. Those who provide the high quality, low cost and environment friendly electricity will be allowed to generate power.