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## CHINA FOCUS: CHINA WORKS ON POLICIES TO ENCOURAGE PRODUCTION OF BIO-ENERGY FOR OIL

BEIJING

China is working on fiscal policies to encourage production of biological energy as substitutes for oil, a move experts say would help China reduce its reliance on oil and build an environmentally friendly society.

Zhu Zhigang, vice-minister of finance, told Xinhua in an exclusive interview that the ministry is working on policies that will enable the government as well as energy consumers to share the cost and risks of bio-energy production in case oil prices are too low for bio-energy business to be profitable.

Zhu said that the ministry is considering a plan to provide subsidies to a few selected companies specializing in bio-energy production as demonstration projects before the cost and risk sharing mechanism is created.

But he declined to say how much money the Chinese government will spend in the coming years on bio-energy project.

Bio-energy mainly refers ethanol made from grain and stems of plants and methane, which are environmentally friendly and renewable.

China has increased its annual production capacity of fuel ethanol to 1.02 million tons thanks to direct funding from the ministry, preferential tax policies and subsidies, he said.

The fuel ethanol has been produced in northeast China, central China's Henan Province, north China's Hebei Province and east China's Anhui, Shandong and Jiangsu provinces.

The raw material for the fuel ethanol includes corn and wheat, and the ethanol has been purchased and mixed with gasoline by the country's State-owned oil producers, including Sinopec.

Zhu said the ministry has allocated 2 billion yuan (250 million US dollars) for those ethanol projects in the past five years, which were launched mainly to solve the problem of corn surplus in northeast China, the country's major corn-producing area.

The corn-for-ethanol projects increase market demand for corn and the market prices of corn have been increasing gradually in the past several years, the vice-minister said.

Shi Yuanchun, academician of the Chinese Academy of Sciences, said China should do more to increase production of bio-energy to catch up with the United States, the European Union, Brazil and India.

China should study ways to manufacture ethanol using stalks and plants produced from wasteland and low-quality land not suitable for grain production, said Shi, former president of China Agriculture University.

The plants include sugar grass, which is suitable for salina and other low-quality land in 18 provincial areas north of China's Yellow River and Huaihe River basins.

Those land totals 33.34 million ha, and one fifth of them would be enough to produce 20 million tons of ethanol, said Shi.

China produced 1.5 billion tons of stalk as by-products of grain production, which can be used to produce 370 million tons of ethanol.

Bio-energy is environmentally friendly and renewable, and fast growing bio-energy sector will create enormous job opportunities for farmers, he said.

Qiao Yingbing, an expert with China's oil giant Sinopec, said China's consumption of crude oil totaled 323 million tons, including net import of crude oil stood at 119 million tons with 17 million tons of process oil.

Increasing bio-energy production and consumption will help ease the country's oil shortage and help reduce air pollution as the oil substitute is cleaner.