

## Straits Times (5 August 2006) - China Gets Help To Develop Cleaner Fuel

Aug 5, 2006

China Gets Help To Develop Cleaner Fuel

World Bank invests \$15.9m in Chinese company that plans to make 'clean coal'

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Straits Times

WASHINGTON - THE World Bank is helping China to develop cleaner fuel from coal in a move that will help alleviate the country's pollution woes and reduce its dependence on imported energy.

In some uses the 'clean coal' can be an effective substitute for liquefied petroleum gas and it can replace vehicle diesel, according to the World Bank.

By enhancing China's energy security, the initiative could also help mitigate the risk of future conflict between the emerging Asian superpower and other countries over scarce energy resources.

The International Finance Corp (IFC), the private sector arm of the World Bank, will invest US\$10 million (S\$15.9 million) in Chinese company Xinao to support its efforts to convert coal into a more environmentally friendly fuel.

In addition, IFC will grant Xinao a US\$40 million loan and is also raising an additional loan of up to US\$128 million from commercial banks.

On Wednesday, IFC and Xinao officials announced the project in Washington, which is scheduled to come on-stream in 2008.

The funding will enable Xinao to adopt new technology to convert coal into dimethyl ether (DME), a liquid fuel that is more efficient and cleaner than coal. When used as a fuel for cooking, for example, DME emits 40 per cent less carbon dioxide than coal.

China's rapid economic growth entails a voracious appetite for energy. The country became a net oil importer in 1993 and has emerged as the world's second-largest consumer and third-largest importer of oil.

Last year, China consumed 6.6 million barrels of oil per day, or around 8 per cent of global consumption. This is expected to rise to between nine million and 13 million barrels in 2020.

But coal remains China's primary fuel source, meeting more than 70 per cent of its energy needs in 2004.

The widespread use of coal has worsened China's air pollution. Almost a quarter of the world's black carbon emissions originate from China.

One of Beijing's top priorities has been to shift the country's energy use away from coal and petroleum imports to cleaner alternative fuels that can be produced domestically.

'China is rich in coal reserves and the challenge is to find ways of using this source of

energy cleanly,' said Mr Wang Yusuo, Xinao's chairman and founder.

The Xinao-IFC project will have a major impact on the energy situation in China, said Mr Rashad Kaldany, director of the World Bank's oil, gas, mining and chemicals department.

'This is the largest project of its kind in the world,' he told The Straits Times.

'With an increase in production, it could substitute for as much as half of China's imports of liquefied petroleum gas.'

DME can also replace the use of coal and wood for cooking in millions of Chinese households, as well as be used as a substitute for diesel in transportation.

A decline in China's reliance on energy imports could help to improve its ties with the United States as well.

In order to meet its demand for energy, China has been busy making deals with foreign producers. This has caused concern in Washington, given how the Chinese have been willing to deal with countries such as Iran, Sudan and Venezuela, whose governments are unfriendly towards the US.

Experts worry about how China's bid to 'lock up' oil supplies overseas could place it on a collision course with the US.

But such conflict is not inevitable, if China is willing to play a constructive role in the global energy market.

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