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## NEW MINISTRY RECOMMENDED TO HANDLE ENERGY CHALLENGES

The government's think-tank and the World Bank have both recommended China set up a cabinet ministry to oversee energy security.

The Development Research Centre of the State Council and the bank made the recommendation yesterday in a bid to improve energy co-ordination and supervision, and meet the challenges ahead.

They listed China's energy challenges as soaring consumption, the impact on the environment, an inefficient decision-making process, poor efficiency and growing exposure to the global market.

"While considering reform in the energy sector, we strongly recommend that consideration be given to re-establishing a Ministry of Energy," the report, published by the two organizations yesterday, said.

The recommendation follows the central government setting up a vice-ministry-level energy office last year, following its dismantling of the Ministry of Energy in 1993, and the setting up of the Energy Bureau in 2003.

Facing China's huge changes in the energy sector, the Development Research Centre concluded that re-establishing an energy ministry is an urgent task.

The report, which took two years of research, also suggests creating a regulatory body for natural gas management.

It also calls for government agencies to be pushed to boost energy efficiency and technological innovation.

"China's energy sector needs a co-ordinated policy," said Xie Fuzhan, vice-president of the centre at a seminar to discuss the report yesterday.

Feng Fei, department director of the centre, warned that China's growing oil dependence and electricity shortage pose a risk to the nation's sustained economic growth. According to the World Bank and the centre, at least half and perhaps as much as two-thirds of China's oil will have to be imported by 2020.

By then the country's annual oil demand is expected to be between 450 and 610 million tons.

Domestic oil output is expected to peak at about 200 million tons in 2015. A similar high level of oil dependence has been reached in most industrialized countries, with imports needed to fuel growth.

But the organizations warned that the oil market is going through important changes and future prices are likely to be far higher. "In a high oil price era, high dependency will make us vulnerable if we cannot take measures to address the insecurity," said Feng.

Meanwhile the National Development and Reform Commission said there is tremendous potential for energy conservation in China, and that the country can be fed almost entirely with domestically produced energy.

"China still has great potential in domestic energy supply," said Zhang Guobao, vice-minister of the commission, at an energy forum last week.

He said China has abundant coal resources and there is the possibility that big oil and gas fields may yet be discovered. He also stressed the potential of China's hydropower, nuclear power, wind power and other new resources.

Zhang said coal gas and renewable energy sources such as biomass and solar power are expected to become "major alternatives."