

Bio-fuel makers to get subsidy

2007-12-10 09:19:00

The Ministry of Finance has drawn up a policy to promote the use of non-food products to make bio-fuel, a senior ministry official has said.

The government will offer subsidy and other forms of financial support to people involved in the production of such fuel to reduce their risk of loss, said Zeng Xiao'an, deputy director of the ministry's department of economic development.

Addressing a synthetic fuel forum in Beijing on Thursday, Zeng said: "We have worked out a policy to support making bio-fuel from non-food products (such as cellulose, sweet sorghum and cassava) because they are clean sources of energy and have limited negative impact on the environment."

Loss-making bio-fuel producers will be granted flexible subsidies when crude oil prices fall, he said, and firms will be encouraged to reserve funds to offset such a risk.

Farmers will get a 3,000-yuan (\$405) subsidy for each hectare of forest products for bio-fuel, such as ethanol and bio-diesel, and 2,700 yuan (\$365) for every hectare of crops, Zeng said.

The ministry will also subsidize demonstration projects making ethanol from cellulose, sweet sorghum and cassava, or bio-diesel from forest products, to make it easier for them to get bank loans, he said.

Besides, projects that are up to industrial standards will be rewarded with 20 to 40 percent of their total investment cost, he said.

"Government subsidies are a small proportion of the total investment in bio-diesel projects. But we are confident of the long-term prospects of bio-diesel production," said Liu Jianbo, who runs Hunan Rivers Bioengineering.

The company has set up a plant that can produce 20,000 tons of bio-diesel a year. Though no reliable figure is available on the country's total bio-diesel output, it's believed there are about 10 such plants, all small-scale.

Officials say the country's bio-diesel output will increase to 200,000 tons by 2010 and 2 million tons by 2020.

Last year, China's four ethanol plants produced about 1.3 million tons of fuel, which was blended with gasoline in some provinces, including Shandong.

All the four plants mainly produce corn-based ethanol, and have to shift to other raw materials because China banned the use of grains to make bio-fuel earlier this year to ensure food security.

China has set an annual production target for ethanol at 2 million tons by 2010 and 10 million tons by 2020. Also, it seeks to use its abundant coal reserves to produce synthetic fuel and reduce its reliance on imported petroleum.

Support policies for such projects, however, are still being debated because of concerns over coal-based synthetic fuel's impact on the environment, Zeng said.

The production of coal-based fuel such as methanol and dimethyl ether usually means a high carbon dioxide emission. "We are still conducting research and will publish specific support policies for such projects as soon as possible," he said. (Xinhua)



- Top News
- Economy/Industry
- Companies
- Markets
- Opinion

[| About CSJ](#) | [About US](#) | [Contact US](#) |

Copyright 2004 China Securities Journal. All Rights Reserved