

Copyright 2005 Associated Press
All Rights Reserved
Associated Press Worldstream

April 28, 2005 Thursday

SECTION: FINANCIAL NEWS

DISTRIBUTION: Europe; Britian; Scandinavia; Middle East; Africa; India; Asia;
England

LENGTH: 444 words

HEADLINE: China creating office to safeguard 'energy security'

BYLINE: ELAINE KURTENBACH; AP Business Writer

DATELINE: SHANGHAI, China

BODY:

China has created a powerful new agency to oversee the country's energy security amid booming demand for power and surging oil imports, officials at the country's main planning agency said Thursday.

The National Development and Reform Commission is in the midst of preparations for a State Energy Office, said an NDRC official and another officials at the commission's Energy Bureau.

The office will likely have a mandate that extends to securing foreign gas and oil, managing domestic coal supplies, resolving chronic electricity shortages and forcing factories to raise efficiency and cut pollution.

It will also supervise China's state-owned oil companies and a newly created strategic petroleum reserve, reports said, citing NDRC officials.

The officials refused to give their names or provide other details.

China's communist government views its growing dependence on imported oil and gas to fuel its surging economy as a national security issue, as the country's annual growth - topping 8 percent in recent years - has increased demand.

By 2020, China will depend on imports for 60 percent of its oil supply and 30 percent of its natural gas, according to a recent report by the U.S.-based Rand Corp.

The new office will report directly to the Cabinet, giving it greater influence than other regulatory agencies, the state-run newspaper Beijing Morning Post said.

China has aggressively sought oil and gas supplies abroad, signing multibillion-dollar supply contracts and pursuing closer relations with Russia, Iran, Sudan and other countries. Widespread power shortages have prompted criticism of the State Energy Bureau, a tiny department with about 20 people, that's responsible for overseeing an energy industry with assets of more than 10 trillion yuan (US\$1.2 trillion; [euro]934 billion).

China created an Energy Ministry in 1988, but abolished it in 1993 amid a bureaucratic overhaul. The Energy Bureau was set up in 2003 to oversee oil and gas, coal, electricity and alternative energy sources, but power over those sectors is divided between various ministries and state-run corporations.

State media reported in December that the government was considering setting up the Energy Office to handle strategic planning and oversight of the energy sector.

Ma Kai, head of the NDRC and the official already in charge of charting China's energy strategy, will head the new office, the Beijing Morning Post said. It said Ma's deputies at the new agency will include Ma Fucai, who resigned as general manager of China's biggest oil company, China National Petroleum Corp., after a gas field accident in 2003 killed 243 people.

LOAD-DATE: April 29, 2005