Guide to readers

2005 International Workshop on CMM/VAM Recovery and Utilization has come to a successful close. This meeting will help Chinese collieries enhance recovery and utilization of CMM/VAM and promote coal mine safety and environmental protection.

With the further development of international exchange, more and more foreign companies and organizations participate in China CBM development and utilization. CUCBM signed a contract with America’s ChevronTexaco Corp. to jointly develop the CBM resources in Inner Mongolia Autonomous Region, Shanxi Province and Shanxi Province. America’s SCS Engineers Company and CCII are working together to review the 120 MW CBM power plant project in Sihe Mine of JMC.

NDRC formally approved the CBM development plan in Shanxi with the investment of 2.065 billion RMB yuan. It is the largest ever project for coal mine gas development and utilization in China so far.

Contents

◆ 2005 International Workshop on CMM/VAM Recovery and Utilization
◆ Sino-US Cooperation in Developing CBM Resources in West China
◆ Shanxi Province and Nordrhein-Westfalen State, Germany Cooperate in CBM Development
◆ The Signing Ceremony of the CDM Project for CBM Utilization in Tiefa Was Held in Beijing
◆ The Reviewing of Sihe Power Plant Project in Jincheng Started Up
◆ NDRC Formally Approved the CBM Development Plan in Shanxi with the Investment of 2.065 Billion RMB Yuan
◆ Daily Gas Production 2000m³ in CBM Test Well in Yunnan
◆ America’s Gladstone Energy Inc. Invests in the CBM Development in Huangshi
◆ Kyoto Mechanism — Japan Carbon Investors Forum
◆ Announcement of “The 5th International Symposium on CBM/CMM in China”

2005 International Workshop on CMM/VAM Recovery and Utilization

2005 International Workshop on CMM/VAM Recovery and Utilization, co-sponsored by US Environmental Protection Agency (USEPA) and China Coal Information Institute (CCII), was held in Chengdu, Sichuan Province on April 6-7. Mr. Brook Hefright of the US Consulate in Chengdu, Vice Director Hu, Yuhong of National Center for International Exchange and Cooperation at State Administration of Work Safety (SAWS), and President Huang, Shengchu of CCII attended the meeting. There were over 120 attendants for this meeting, including the experts from USA, Australia, Germany, Japan, Sweden, Norway, etc. and representatives from domestic sectors such as coal mining, environmental protection, and geological exploration.

Mr. Brook delivered the opening speech, welcoming the organizations and companies from home and abroad to participate in the development of CBM projects in China and promote scientific and technological progress and international cooperation. In his greeting speech, President Huang, Shengchu introduced the cooperation between CCII and USEPA. Vice President Hu, Yuhong emphasized the importance of CBM development and utilization for coal mine safety. Mr. Ray Pilcher from America’s Raven Ridge Resources, Incorporated, on behalf of Mr. Clark Talkington from USEPA, hoped that all attendees could take full use of the meeting to further friendship and seek project cooperation.

There were four sessions for this meeting:
Longhole Directional Drilling Technology, Gob Gas Drainage Technology, CMM/VAM Recovery and Utilization Technology, and Clean Development Mechanism. Vice Director Liu, Wenge of Energy & Safety Division at CCII and Mr. Pilcher co-chaired the final free discussion, which focused on the hurdles and problems facing CBM development and utilization in China and solicited relevant opinions and suggestions.

Sino-US Cooperation in Developing CBM Resources in West China

China United Coalbed Methane Co., Ltd. (CUCBM), with the exclusive authority on external cooperation in China CBM resources, signed a contract with America’s ChevronTexaco Corp. for joint CBM development in Inner Mongolia Autonomous Region, Shaanxi Province and Shanxi Province.

Three contracted areas are located in Junger, Inner Mongolia Autonomous Region, Shenfu, Shaanxi Province, and Baode, Shanxi Province, with the total area about 6897 km$^2$ and predicted CBM resources above 1 trillion m$^3$. These areas feature desirable CBM geological conditions, moderate coal seam depth, simple structure, and high coal seam gas content, all favorable for exploitation.

According to the contract, within the five years of exploration, ChevronTexaco Corp. will bear the risk on its own, and both Chinese and foreign parties will invest in CBM development and production, the income from CBM sales shared in proportion.

The three contracted areas are located in west or central China. The supporting policies enacted by the Chinese government for the “West China Development” will benefit investors and thus promote their initiative, so that the project can progress rapidly.

With the contract of the CBM product sharing in Junger, Shenfu and Baode, CUCBM has signed 10 contracts with foreign investors in CBM cooperative development since 1996 when it was founded, and the total contracted area expands to near 20 km$^2$. Among foreign oil companies, ChevronTexaco Corp. is now the largest investor in China CBM industry.

Shanxi Province and Nördrhein-Westfalen State, Germany Cooperate in CBM Development

The Shanxi provincial government and German Nördrhein-Westfalen State government signed the “Memorandum of CBM Cooperative Development by the Shanxi Provincial Government and German Nördrhein-Westfalen State Government”. According to the memorandum, Shanxi Province and the Nördrhein-Westfalen State government will from now on cooperate in coal mine gas drainage and utilization, for joint development of CBM in Shanxi.

CBM reserves in Shanxi are predicted at about 10 trillion m$^3$, accounting for 1/3 of national CBM predicted reserves, which can generate 22 trillion KWh of electricity, while in 2004 the annual electricity consumption in China approximated to 2.17 trillion KWh.

In addition, the CBM in Shanxi is mostly distributed in Hedong and Qinshui coal fields, and its development will significantly relieve poverty of the local citizens.

The Signing Ceremony of the CDM Project for CBM Utilization in Tiefa Was Held in Beijing

In the morning, March 7, 2005, the signing ceremony of the Sino-Japan CDM project in CBM utilization in Tiefa Coal Industry Group Limited Liability Company (TCI) was held in CCII. Representatives from TCI, National Development and Reform Commission (NDRC), Liaoning Development and Reform Commission,
CCII and Japan’s Mitsui Co., Ltd. attended the ceremony.

Li, Yanmei, an official from National Coordination Committee on Climate Change, NDRC, said: “This is the third CDM project reviewed by the Chinese government, and the departments concerned at all levels will try their best to make it implemented as early as possible.”

The Reviewing of Sihe Power Plant Project in Jincheng Started Up

The United Nations Conference on Trade and Development (UNCTAD) financed the reviewing of the project of Asian Development Bank (ADB), 120 MW CBM power plant in Sihe Mine of Jincheng Anthracite Mining Group Company Limited (JMC). The project reviewing will be carried out by America’s SCS Engineers Company and CCII.

The project reviewing began in February this year. The expert group for project reviewing, composed of the members from both America’s SCS Engineers Company and CCII, has paid a site visit. The group will examine the primary design of this power plant project, including design concept, equipment bidding, project progress, etc.

The estimated coal reserves in Sihe Mine are 3.5 billion tons. Sihe Mine was put into operation in 2002, and produced 1.5 million tons of coal the same year. It is predicted that in 2008 it will increase its annual coal production to 8 million tons, with daily underground methane drainage reaching up to over 500,000 m³.

NDRC Formally Approved the CBM Development Plan in Shanxi with the Investment of 2.065 Billion RMB Yuan

The CBM comprehensive development project in Shanxi, with the total investment 2.065 billion RMB yuan, has been formally approved by NDRC. It is the largest ever project for coal mine gas development and utilization in China so far.

Financial sources for this project are mainly from overseas, including a 117.4 million USD loan from ADB, and a 20 million USD loan from Bank of Japan. This project is composed of three subprojects, the CBM drainage and transportation in Qinshui coal field of Shanxi Energy Resource Industry Group, the CBM transportation and distribution for Jincheng City, and the CBM power plant in JMC. Since all three trunk lines of the national project “Natural Gas Transmission from West to East China” pass through Shanxi Province, 1700 kilometers of pipelines will be laid to supply extracted CBM from coal mines and gas fields in Shanxi to Beijing and Shanghai, among other cities.

Daily Gas Production 2000m³ in CBM Test Well in Yunnan

On February 20, 2005, the FCY-EH01 well, which is located at Zhuyuan, Fuyuan County, Yunnan Province and jointly developed by Yunnan Bureau of Coal Geology, America’s Far East Energy Corporation and CUCBM, has finished its hydraulic fracturing and was undergoing gas extraction test in its No. 9 Coal Seam. This well is now producing some 2000 m³ of gas on a daily base, and with the extraction depth increasing and extraction parameters optimized, daily gas production will keep going up.

Yunnan Province boasts near 450 trillion m³ of CBM reserves, which is ranked the third place in China and mainly distributed in Enhong and Laochang mine areas of east Yunnan.

In order to rationally develop and utilize CBM and reduce gas explosion, Yunnan Bureau of Coal Geology, America’s Far East Energy Corporation and CUCBM signed a contract in December, 2002 for joint CBM development in Enhong and Laochang mine areas of Yunnan Province, 5 CBM exploration wells and 8 CBM
development test wells to be drilled.

**America’s Gladstone Energy Inc. Invests in the CBM Development in Huangshi**

America’s Gladstone Energy Inc. invests 80 million USD to use international advanced technologies to extract underground gas in coal seams in Huangshi and transport it to the coal gas purifying station of the coal gas company for desulfurization before it enters the natural gas network. The construction of this project will begin in June, 2005.

The CBM reserves are approximately 5 billion m³ in Baili mining area, Huangshi City, Hubei Province. In October, 2003, given the approval by the governmental departments concerned, a 30-year contract was signed for Sino-US cooperation in developing CBM resources in Huangshi area. The CBM produced will be shared in proportion in accordance with the contract.

**Kyoto Mechanism — Japan Carbon Investors Forum**

Mr. Zhang, Wenbo, an expert in China CBM CDM projects from the Energy & Safety Division of CCII, was invited by the Japanese government to attend the “Kyoto mechanism — Japan Carbon Investors Forum” in Tokyo, Japan on March 23-25, 2005, and reported on the special topic “China CBM/CMM CDM Project Potential”.

Mr. Zhang’s visit was invited by Japanese Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and Ministry of Environment, aiming at discussion with Japanese investors on how to enhance Sino-Japan cooperation in financing and technologies in order to speed up the development of China CMM CDM projects.

With the Kyoto Protocol put into effect on February 16, 2005, Japan has been facing the enormous pressure from the emissions reduction of 20 million tons of carbon dioxide equivalent during the 1st commitment period, i.e., from the year 2008 to 2012. To this end, the Japanese government decided to earmark 17 million USD in 2005 to encourage Japanese companies to participate in the developing and trading of overseas CDM/JI projects.

Mr. Zhang held talks with some Japanese governmental organizations, research institutes, and companies, such as Japanese Ministry of Economy, Trade and Industry, Ministry of Environment, Mitsubishi Research Institute, Mitsubishi Corporation, and Japan Carbon Finance, the in-depth discussion made on speeding up China CBM CDM projects development and promoting Sino-Japan cooperation.

China and Japan came to a final agreement on the pre-investment in China CBM CDM projects with the priority of cooperative development and the free aid in packing of the project design document (PDD).

**Announcement of “The 5th International Symposium on CBM/CMM in China”**

“The 5th International Symposium on CBM/CMM in China” will be held in Beijing on December 1-2, 2005. This meeting will be cosponsored by State Administration of Coal Mine Safety and USEPA, and organized by CCII.

This symposium is an important activity in CBM development, and has been successfully held four times so far. It has greatly promoted China CBM development, provided opportunities to CBM companies from home and abroad to develop CBM projects in China, and created a platform for mutual exchange among the experts from home and abroad. Covered in this meeting will be development prospects and investment opportunities in China CBM projects, CBM exploration and development technologies, CBM utilization technologies, VAM utilization, CDM,
and financing, policies and laws.

Papers from home and abroad for this meeting are warmly welcome.

(Editor-in-Charge: Dou, Xiaodong)