

**CHINA'S NEW NATIONAL ENERGY
COMMISSION: POLICY IMPLICATIONS**

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Executive Summary

1. On 27 January 2010, China announced the establishment of a new institution under the State Council—the National Energy Commission.
2. The institution is like a cabinet within the Cabinet. Premier Wen Jiabao (温家宝) is chairman, Vice Premier Li Keqiang (李克强) is vice chairman, and a number of leaders from relevant ministries and commissions as well as the military are members.
3. China had a National Energy Commission three decades ago, headed by two vice premiers. The two institutions, however, are not comparable. The old institution was a stand-alone ministry, with a rank of vice premier, while the new institution is a mini-cabinet by itself.
4. Unlike a leading small group of the Party, the National Energy Commission is housed in the State Council, suggesting the rise of power of the government, in particular the power of Premier Wen Jiabao.
5. Vice Premier Zhang Dejiang (张德江) used to be in charge of energy issues, but Li Keqiang is given this portfolio to enhance his power for taking over as the premier in three years.
6. Out of 27 ministers, 12 are on board in the newly established National Energy Commission. Most notably, ministers of Foreign Affairs, State Security, Finance, Environmental Protection, Commerce, Land and Resources, and Water Resources are among the 21 members.
7. Moreover, the military is also represented. The first deputy chief of the General Staff Department, Lieutenant General Zhang Qinsheng (章沁生)—the future chief of the General Staff Department and a strong candidate for a membership on the Central Military Commission—is also on board.

8. Zhang Ping (张平), chairman of the National Development and Reform Commission, is also concurrent director of the General Office, and Zhang Guobao (张国宝), chief of the State Energy Administration, is his deputy.
9. The establishment of such a super-ministry at this time reflects Chinese leaders' concern for energy efficiency, energy security, and environmental protection.
10. China is the second largest consumer of energy in the world, after the United States. With the surge in demand for energy as a result of rapid economic growth, China has become increasingly dependent on imported energy and faced challenging environmental issues.
11. By establishing this super-ministry, China's leadership attempts to better coordinate energy policy in order to get intra-agency cooperation on strategic initiatives on carbon emission reduction and energy efficiency improvement.
12. The National Energy Commission is tasked to produce China's energy development strategy, review issues of energy security and development, and coordinate domestic energy exploration and international energy cooperation.
13. The establishment of such an institution on energy policy is certainly a step in the right direction to tackle energy security and environmental issues in China. But it remains to be seen how this super-ministry actually operates and whether it can produce desired results.

CHINA'S NEW NATIONAL ENERGY COMMISSION: POLICY IMPLICATIONS

BO Zhiyue*

China's Institutional Dilemma on Energy Policy

- 1.1 China has faced a serious dilemma in its energy policy for three decades. On the one hand, China has changed from a net exporter of energy to a net importer because of its rapid economic growth. On the other hand, the central agency in charge of energy policy has either been short-lived or lacked coordination capacity because of its low rank.
- 1.2 China was a net exporter of energy in 1990 but became a net importer in 1997. In 2007, China had a net energy import of 246 million tons of SCE (standard coal equivalent). In that year, China imported 349 million tons of SCE and exported 103 million tons of SCE.¹
- 1.3 For a period of 30 years, however, China has gone through three cycles in its establishment of a central agency on energy policy. A high-level National Energy Commission headed by two vice premiers was established in 1980 but was abolished merely two years later. A Ministry of Energy was established in 1988 but was eliminated again in 1993, giving way to market allocations of energy resources.
- 1.4 When a central agency on energy policy was reestablished in 2008, however, it was only a bureau under the National Development and Research

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¹ *China Statistical Yearbook 2008*, Table 6-3.

Commission (NDRC)—a low-ranking bureaucracy headed by a deputy head of the NDRC.

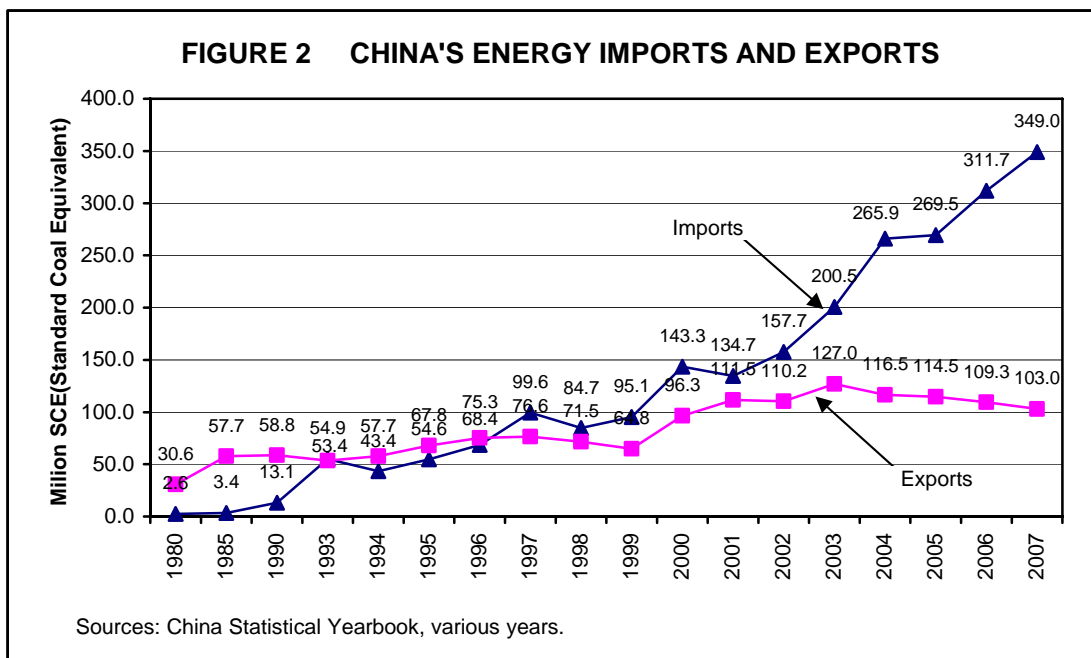
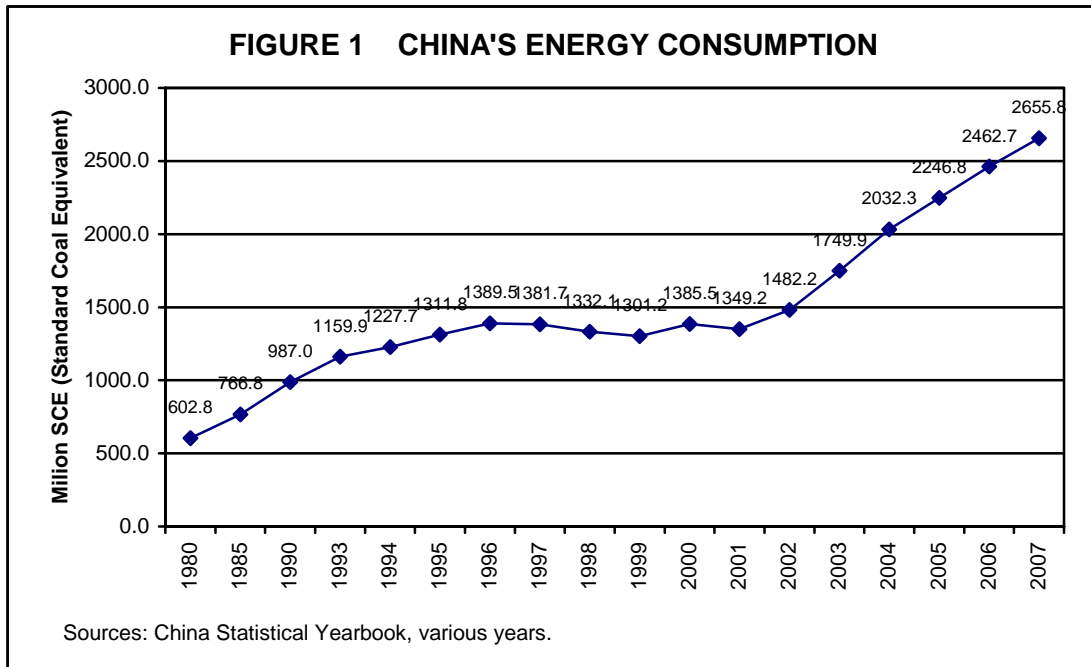
- 1.5 It was only recently that the top leadership decided to centralize the power of policy making on energy and environmental issues and establish a super-ministry with the rank of the premier. Thus, the National Energy Commission was reborn.

China's Soaring Demand for Energy

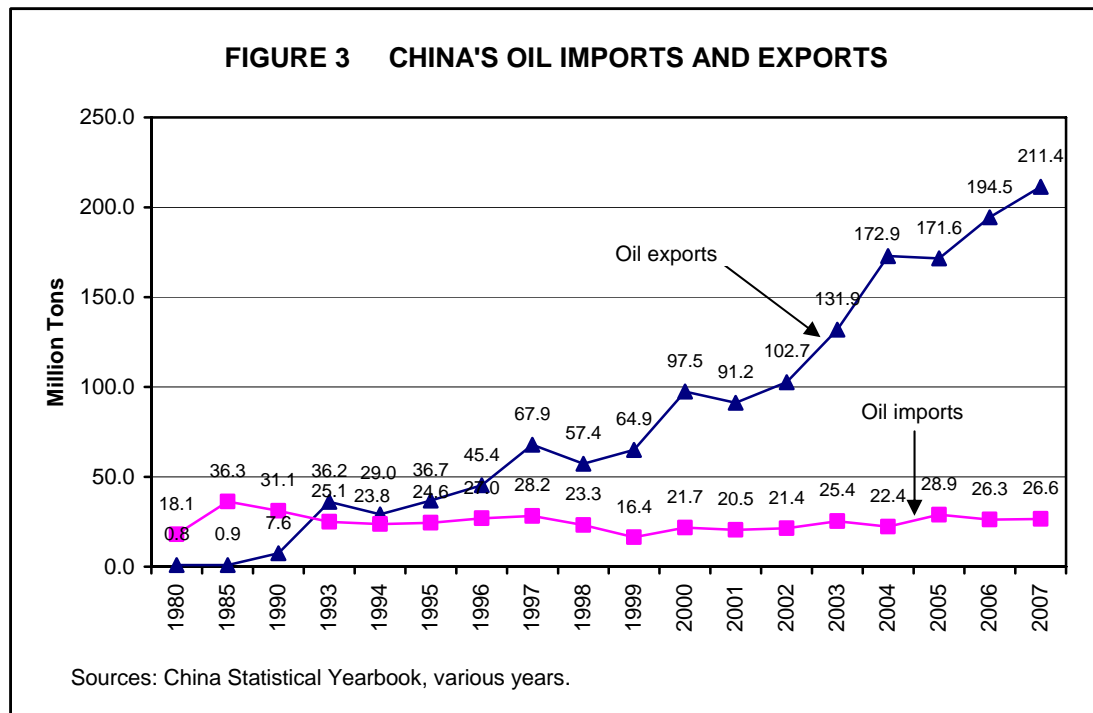
- 2.1 It is well known that China has generated an economic miracle in the past three decades. Real GDP grew at an average annual rate of 10% a year from 1978 to 2008, the fastest in the world for the period.
- 2.2 With such rapid growth, China's demand for energy also soared.² In 1980, China's energy consumption was 602.8 million SCE. In 1990, it increased to 987 million SCE. Another decade later, it went up to 1,385.5 million SCE. In 2007, it jumped to 2,655.8 million SCE (Figure 1).
- 2.3 Up until 1996, China was still a net exporter of energy. In 1985, for instance, China exported 57.7 million SCE of energy and imported only 3.4 million SCE. In the meantime, domestically available energy was not able to keep pace with the increasing demand.
- 2.4 China began to import more energy than exports in 1997, and the gap between imports and exports of energy increased drastically over the subsequent years (Figure 2). In 1997, the difference between imports and exports was only 23 million SCE. In 2007, the gap went up to 246 million SCE.
- 2.5 In particular, China's demand for oil has been increasing very rapidly. China was a net exporter of oil until 1991. In the previous year, 1990, the country

² For the most recent blue book on China's energy development, see Cui Minxuan (ed), *Blue Book of Energy: Annual Report on China's Energy Development (2009)* (Beijing: Social Sciences Academic Press (China), 2009).

exported 31.1 million tons of oil and imported only 7.6 million tons. Starting from 1991, China's demand for oil increased very rapidly. The gap between imports and exports has widened (Figure 3).



2.6 To solve the problem of energy shortage, China's leaders went around the world in search of energy supplies.³ As the Middle East has been embroiled in military conflicts, the Chinese leaders have focused on Africa and Central Asia for their energy supplies. As China is increasingly dependent on energy import, energy has become a strategic and security issue.



Institutional Flip-flop on Energy Policy

- 3.1 In addition to an energy bottleneck in physical terms, China's leadership also faced an institutional gridlock.
- 3.2 China began to pay attention to the issue of energy as early as 1980. On 26 August of that year, the Fifth National People's Congress Standing Committee decided to establish a National Energy Commission at its 15th meeting.⁴

³ For details, see David Zweig and Bi Jianhai, "China's Global Hunt for Energy," *Foreign Affairs* 84, no. 5 (September/October 2005): 25.

⁴ *Zhongguo Gongchandang Zuzhishi Ziliao* (Materials on the Organization History of the Chinese Communist Party), Appendix Vol. 2 (Beijing: Zhonggong Dangshi Chubanshe, 2000), p. 785.

- 3.3 The main tasks of the Commission include (1) research and produce national directives, policies, and regulations on energy; (2) make long-term and annual plans on energy; (3) conduct scientific research, experiment, and development on new energy; and (4) organize research and promote new technology on energy conservation.
- 3.4 Yu Qiuli (余秋里) (1914-1999), vice premier since 5 March 1978, was appointed its chairman, and Kang Shi'en (康世恩) (1915-1995), also vice premier since 5 March 1978, was made its first vice chairman.
- 3.5 Both Yu and Kang were revolutionary veterans. Yu joined the Chinese Communist Party (CCP) in 1931 and participated in the Long March. Kang joined the Party in 1936 and was a core member of the “oil clique.” Both of them served as minister of Oil Industry, during different periods.
- 3.6 In less than two years, however, the Commission was abolished. The Fifth NPC Standing Committee reversed its earlier decision and abolished the Commission on 4 May 1982. The National Energy Commission was merged with a number of other institutions to form a National Economic Commission.
- 3.7 Six years later, in 1988, the Ministry of Energy was established through the merger of four related ministries: Coal Industry, Hydroelectricity, Oil Industry, and Nuclear Industry.⁵
- 3.8 Hu Yicheng (黄毅诚) (born 1926) was appointed the founding minister. Shi Dazhen (史大桢) (born 1932), Hu Fuguo (胡富国) (born 1937), and Lu Youmei (陆佑楣) (born 1934) were vice ministers.
- 3.9 Five years later, in 1993, however, the Ministry was abolished in another round of the State Council restructuring. A Ministry of Power Industry was

⁵ *Zhongguo Gongchandang Zuzhishi Ziliao* (Materials on the Organization History of the Chinese Communist Party), Appendix Vol. 2 (Beijing: Zhonggong Dangshi Chubanshe, 2000), p. 845.

established instead. For more than a decade afterwards, there was no central agency on energy policy.

3.10 In 2005, a National Energy Leading Group was set up to coordinate the energy policy. It had a general office to carry out day-to-day operations. But its functions were ineffective.⁶

3.11 In still another round of administrative restructuring to create super-ministries in the State Council, no central agency on energy was set up initially. When such an institution finally came into being in August 2008, it was only a bureau under the National Development and Reform Commission. The newly established State Energy Administration (国家能源局) was headed by Zhang Guobao (张国宝) (born 1944), vice chairman of the National Development and Reform Commission (with a rank of full minister).

3.12 Since the new agency was low in bureaucratic rank, it was incapable of coordinating China's energy policy, which involved a number of powerful ministries such as the Ministry of Foreign Affairs, the Ministry of Commerce and some major corporations such as China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) as well as the military (for energy security).

New National Energy Commission

4.1 The latest move to set up an energy commission came on 27 January 2010 with the announcement of the establishment of a new National Energy Commission under the State Council.⁷ Headed by Premier Wen Jiabao (温家宝) himself, this new commission is indeed a super-ministry.

⁶ “新闻分析：国家能源委成立透出新信息,” http://news.xinhuanet.com/fortune/2010-01/27/content_12887018_2.htm.

⁷ http://news.xinhuanet.com/politics/2010-01/27/content_12886501.htm.

- 4.2 What is quite unusual about this institution is that, for the first time, a high-level coordinating agency is not housed within the Central Committee of the Party. Instead, it is housed in the State Council.
- 4.3 This is a clear indication of the rise of power of the government, in particular the power of Premier Wen Jiabao. A relatively low-profile politician on personnel issues previously, Premier Wen has become more assertive in recent months. He has been instrumental in not only replacing the minister of Education⁸ but also selecting the candidate for the future premier after the next.⁹
- 4.4 Vice Premier Li Keqiang (李克强) was appointed vice chairman of the new Commission. This is very important for Li's preparation to take over as premier in three years. Vice Premier Zhang Dejiang (张德江), formerly in charge of energy policies in China, is not on board of the Commission.
- 4.5 Among 21 members, one may find high-ranking officials from the State Council, various ministries and commissions, and the military. All of them enjoy the rank of full minister (Appendix).
- 4.6 They include ministers from 10 ministries such as Yang Jiechi (杨洁篪) (minister of Foreign Affairs), Wan Gang (万钢) (minister of Science and Technology), Li Yizhong (李毅中) (minister of Industry and Information), Xie Xuren (谢旭人) (minister of Finance), Xu Shaoshi (徐绍史) (minister of Land and Resources), Zhou Shengxian (周生贤) (minister of Environmental Protection), Li Shenglin (李盛霖) (minister of Communication and Transport), Chen Lei (陈雷) (minister of Water Resources), Chen Deming (陈德铭) (minister of Commerce), and Geng Huichang (minister of State Security).

⁸ After Zhou Ji (周济) was dismissed, Xi Jinping's favorite candidate and former classmate from Qinghua University, Chen Xi (陈希), was in line to succeed Zhou. But Wen Jiabao picked Yuan Guiren (袁贵仁) instead.

⁹ Sun Zhengcai (孙政才) (born in 1963), former minister of Agriculture, was appointed Party secretary of Jilin in November 2009. He is a likely candidate to become premier after Li Keqiang.

- 4.7 Three regulators (Li Rongrong, 李荣融, Liu Mingkang, 刘明康, and Wang Xudong, 王旭东) and the central bank governor (Zhou Xiaochuan, 周小川) are also included. So are the heads of Taxation, Central Finance General Office, and Work Safety.
- 4.8 Zhang Ping (张平), chairman of the National Development and Reform Commission, is also a member as well as concurrently a director of the General Office. Zhang Guobao, the head of the State Energy Administration, serves as his deputy in the General Office.
- 4.9 Most significantly, the Commission also has a military representative. Lieutenant General Zhang Qinsheng (章沁生), currently deputy chief of the General Staff Department of the People's Liberation Army, is also a member of the Commission. Newly promoted to the office of the first deputy chief of the General Staff Department (GSD) for less than a month, Zhang is poised to take over as the chief of the GSD and enter the Central Military Commission in a few years.
- 4.10 The National Energy Commission is tasked to produce China's energy development strategy, review issues of energy security and development, and coordinate domestic energy exploration and international energy cooperation.
- 4.11 The establishment of such an institution on energy policy is certainly a step in the right direction to tackle energy security and environmental issues in China. For a policy area that involves too many powerful stakeholders, it is imperative to have an organization with authority. Yet such a large entity is difficult to be effective. It remains to be seen how this super-ministry actually operates and whether it can produce the desired results.

APPENDIX NATIONAL ENERGY COMMISSION MEMBERS (AS OF JANUARY 2010)

Name	Chinese	Age	State Energy Commission	17th CC	Current Position
Wen Jiabao	温家宝	68	Chairman	PBSC	Premier
Li Keqiang	李克强	55	Vice Chairman	PBSC	Executive Vice Premier
You Quan	尤权	56	Member	Alternate	Deputy Secretary General of the State Council
Zhu Zhixin	朱之鑫	61	Member	Full	Director of Central Finance General Office
Yang Jiechi	杨洁篪	60	Member	Full	Minister of Foreign Affairs
Zhang Ping	张平	64	Member and Director of the General Office	Full	Chairman of National Development and Reform Commission
Wan Gang	万钢	58	Member	Non-CC	Minister of Science and Technology
Li Yizhong	李毅中	65	Member	Full	Minister of Industry and Information
Geng Huichang	耿惠昌	59	Member	Full	Minister of State Security
Xie Xuren	谢旭人	63	Member	Full	Minister of Finance
Xu Shaoshi	徐绍史	59	Member	Full	Minister of Land and Resources
Zhou Shengxian	周生贤	61	Member	Full	Minister of Environmental Protection
Li Shenglin	李盛霖	64	Member	Full	Minister of Communication and Transport
Chen Lei	陈雷	56	Member	Full	Minister of Water Resources
Chen Deming	陈德铭	61	Member	Alternate	Minister of Commerce
Zhou Xiaochuan	周小川	62	Member	Full	Governor of People's Bank of China
Li Rongrong	李荣融	66	Member	Full	Chairman of State-Owned Assets Supervision and Administration Commission
Xiao Jie	肖捷	53	Member	Full	Chief of State Administration of Taxation
Luo Lin	骆琳	55	Member	Alternate	State Administration of Work Safety
Liu Mingkang	刘明康	64	Member	Full	Chairman of China Banking Regulatory Commission
Wang Xudong	王旭东	64	Member	Full	Chairman of National Electricity Regulatory Commission
Zhang Qinsheng	章沁生	62	Member	Full	Deputy Chief of the General Staff Department
Zhang Guobao	张国宝	66	Member and Deputy Director of the General Office	Non-CC	Vice Chairman of National Development and Reform Commission and Director of the State Energy Administration

Source: http://news.xinhuanet.com/fortune/2010-01/27/content_12886602.htm