

# Sinopec says China to double CBM subsidy soon and double CBM output by 2015

China is to more than double its coal-bed methane (CBM) production within five years as it works to cut its reliance on oil and coal, Sinopec Group said on July 15.

By 2015, China's annual CBM output should reach 21 billion cubic metres, up from 8.6 bcm in 2010, the oil and gas giant said in its online newsletter.

China aims to add 1 trillion cubic metres of CBM reserves by 2015 and 2 tcm by 2020, it said.

The coming 5-10 years will see rapid development of China's CBM industry, despite the country failing to reach its own production targets for the fuel in 2010, Sinopec said.

To help achieve this, Beijing will probably double the subsidy for CBM exploration to 0.4 yuan (US\$0.062) per cubic metre, and increase the price the government pays for CBM-fired power generated to 0.35 yuan (US\$0.054) per kWh from a current 0.25 yuan (US\$0.039), it added.

China also plans to set up a special fund to finance exploration for the fuel, Sinopec said, without providing details.

Low returns and the difficulty of delivering CBM to users have dampened investment in the industry over the last few years, Hu Wenrui, chairman of the China Petroleum Enterprise Association, said in May 2010.

In the same month, however, Jie Mingxun, president of PetroChina's CBM unit, was more upbeat, predicting that the fuel could account for 30% of China's gas output by 2020.

Exploration and production is certainly progressing, with the Ministry of Land and Resources' newspaper reporting on July 12 that the northeastern province of Liaoning had just started drilling in a CBM field estimated to contain more than 5 bcm of gas reserves.

China targets three-fold growth in its use of gas by 2020, aiming for it to account for around 10% of total energy consumption by then.