

**China-U.S. Energy Efficiency Steering Committee Meeting**  
**Energy Efficiency Cogeneration Team Report**  
**August 27, 2001**

**Achievements Since the June 1999 Steering Committee Meeting**

- Revised China's *Technical Stipulations on Cogeneration Project Feasibility Study*, a technical document that provides detailed technical specifications for Chinese cogeneration projects. Participants were the State Development and Planning Commission, State Economic and Trade Commission, Ministry of Construction, and China Energy Conservation Investment Corporation and Energy Resources International, Inc. for the Energy Foundation. Ministry of Construction, State Development Planning Commission and State Economic and Trade Commission approved and issued the Stipulations in January 2001 as Chinese policy.
- *Barriers to Investing in Cogeneration Projects in China* prepared by Energy Resources International, Inc. was issued in March 2000
- *Market Assessment of Cogeneration in China* prepared by the China Energy Conservation Investment Corporation and Energy Resources International, Inc for the Energy Foundation was issued in August 2001.

**Issues and Opportunities**

- Revision of the model agreements (power purchase, steam sales, joint venture) was suspended because of the massive reform and restructuring of China's energy ministries and the passage of comprehensive energy conservation laws and regulations.
- The guidebook for foreign investors in cogeneration was not updated due to the above reasons.
- In the past, cogeneration has played an important role in increasing energy efficiency of electricity supply in China.
- Present prospects for cogeneration in China are less predictable than in the past because of uncertainties of policy and issues of obtaining finance. However, the market study indicates many opportunities and plans by Chinese industry and others for cogeneration.
- The energy efficiency cogeneration activity could play a key role in supporting the Chinese in overcoming these barriers.

**Next Steps**

- Conduct analyses of policy options with Shanghai authorities to increase the use of clean cogeneration capacity in Shanghai, with emphasis on natural gas-based systems. (Initiated by Shanghai Energy Conservation Supervision Center and Energy Resources International, Inc. for the Energy Foundation).
- Assess the attitudes of U.S. companies to invest in and develop cogeneration projects in China and to determine their degree of knowledge regarding recent reforms and policy changes related to cogeneration in China. (Proposal pending). Follow this up with conduct of a major conference on cogeneration to share the results of this bilateral effort and other efforts to encourage cogeneration in China.
- Update the guidebook for foreign investors in cogeneration. Funds have been requested from the Packard Foundation for this and other related activities. Finalize the model agreements (power purchase, steam sales, joint venture) based upon comments received at November 1998 workshop. These were suspended because of the massive reform and restructuring

of China's energy ministries and the passage of comprehensive energy conservation laws and regulations.

- Assess policy options and develop a methodology for cogeneration project cost allocations between the heat and electricity produced.
- Conduct financing, management practices, project development and technology training for Chinese involved in cogeneration.
- Investigate new financing mechanisms for cogeneration.
- Conduct a local policy pilot to facilitate cogeneration development.
- Continue reform efforts to clear the way for foreign investment in cogeneration projects in China. Some reforms are summarized in the cogeneration market study.
- Continue to investigate new technologies that use natural gas, waste, and biomass feedstocks for cogeneration. The market study also mentions these opportunities.

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