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Chinese CDM Fund to Have $1.5 Billion for Clean-Energy Projects by 2012

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China CDM Fund, the government body that invests money from carbon credits, will almost double its available cash for renewable energy projects to 10 billion yuan ($1.5 billion) in 2012, the vice director of the fund said.

The fund, which manages 6 billion yuan currently, will add as much as 3 billion yuan a year through 2012, Jiao Xiaoping, deputy director general of China CDM Fund, said in an interview in Shanghai yesterday. The money is mainly raised from the cash Chinese companies earn from selling certified emission reduction credits (CERs), Jiao said.

The Clean Development Mechanism (CDM) under the 1997 Kyoto protocol allows companies in industrialized countries to buy carbon credits from developing nations in order to comply with requirements to reduce emissions. Chinese companies have sold 229 million metric tons of CERs under the UN-backed CDM mechanism since 2005, or half of the total, Jiao said.

The fund has been approved by the government to be used for low-carbon research and planning, equity investment, preferential loans to energy-saving and renewable projects, according to Jiao.

China has pledged to cut its output of carbon dioxide per unit of gross domestic product by 40 to 45 percent by 2020 from 2005 levels. It has reduced energy intensity by 15.6 percent since 2006 to 2009 and the government has said it may be difficult to meet the 20 percent reduction five-year target by the end of this year.

Trading Tests

The Chinese government wants to begin a pilot program in an industry or city to test the impact of an emissions cap on growth ahead of a possible nationwide move to carbon trading, officials at top economic planner National Development and Reform Commission said earlier this month.

“It’s still under a testing period and hard to give a timetable when the cap-and-trade program will officially start,” Jiao said. China has started voluntary carbon trading programs in Beijing, Shanghai and Tianjin on a trial basis.

China’s plan to begin carbon trading may be held up by difficulties in negotiations with cities and industries over how to set a limit for emissions as any cap set on emissions will inhibit economic development, NDRC officials said during climate talks in northern China's Tianjin city this month.

The country, which relies on coal for almost 80 percent of its energy use, aims to boost the share of renewable sources, including solar, wind and nuclear, to 15 percent by 2020 from 7.5 percent in 2005.

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