

China's Economic Policies of CMM and Utilization of Low-Concentration Gas



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China's Economic Policies of CMM Drainage and Utilization

- Technologies and measures for coal mine safety
- Preferential policies of reducing or waiving taxes and charges
- Power generation onto grid with CMM
- Supported price policies for civilian used CMM
- Policies of enlarging franchises of CMM international cooperation



Measures for coal mine safety

- Investment of 3 billion RMB/year from the central government & 64.1 billion RMB/year from enterprises and local governments since 2005
- Investment of 3 billion RMB/year from the central government in the following 3 years
- Pre-tax appropriation of safety cost: 15—20 Yuan RMB/ton
- 40 Yuan RMB/ton in Shanxi Province; 60 Yuan RMB/ton in Huainan, Anhui Province



Preferential policies of reducing or waiving taxes and charges

- Enterprises that directly explore and extract CMM on the ground can, in accordance with related government provisions, apply to reduce or waive charges of exploring and mining rights before 2020. Temporarily, no resource tax is imposed.
- For CMM extracting enterprises, policy of “refund value-added tax after collection” is implemented to CMM extraction and sales. Enterprise income tax are not imposed to those that are engaged in CMM technology research and expand reproduction with the refunded tax.
- Double declining balance method or sum-of-the-years-digits method are applied to the CMM extracting equipment in order for accelerated depreciation.



Preferential policies of reducing or waiving taxes and charges

- 40% investment for the home equipment in the technical reconstruction projects with loan or self-possessed funds can be offset from the newly added enterprise income tax (compared with the year before the home equipment are purchased.)
- As to the CMM enterprises' research and development charges of new technologies and processes, 50% pre-tax deduction of the actual amount of the year is allowed, on the basis of 100% deduction in accordance with related provisions.
- Import duty or value-added tax are not imposed to equipment, instrument, accessories and special tools for CMM exploration and extraction.



Policy of fiscal subsidies

- The central government will grant a subsidy of 0.2 Yuan/m³ net CMM to enterprises that extract CMM as civilian fuel gas, chemical industry raw materials, etc.
- On the basis of that, local governments can, according to the local condition of CMM development and utilization, grant subsidies to CMM enterprises. There is a subsidy of 0.05 Yuan/m³ for civilian used CMM in Shanxi; Hebei and Liaoning are working to make a specific subsidy standard to CMM development and utilization from local provincial governments.



Power generation onto grid with CMM

- Coal mine enterprises are encouraged to generate power through CMM, and self-use is also allowed.
- CMM power generating sets of over 500 kilowatts/unit capacity are encouraged.
- No market auction and peak load regulation of power grid in CMM power plants.
- CMM network electricity price is similar with the price of biomass power generation (A subsidy of 0.25 Yuan/kilowatt-hour was added to local standard price of network electricity of desulphurization coal combustion sets in 2005.)



Mining rights management

- The two sides should negotiate to cooperate or sign a work safety agreement, when an overlap of coal and CMM mining right happens.
- If no agreement can be reached, the land and resources department shall mediate according to related provisions. If the mediation doesn't work, the land and resources department shall, by the principle of “integrated coal mining and gas extraction & mutually considering coal mining and gas extraction”, encourage coal mining enterprises to comprehensively explore and extract CMM.



Supported price policies for civilian used CMM

- The factory gate price for civilian used CMM is negotiated and determined by suppliers and demanders.

- The sales price for civilian used CMM outside the urban public gas transmission and distribution system is negotiated and determined by suppliers and demanders; the sales price for civilian used CMM inside the urban public gas transmission and distribution system and within the government management scope is determined by the principle of maintaining a reasonable price ratio relation of equivalent heat value with alternative fuel including natural gas.



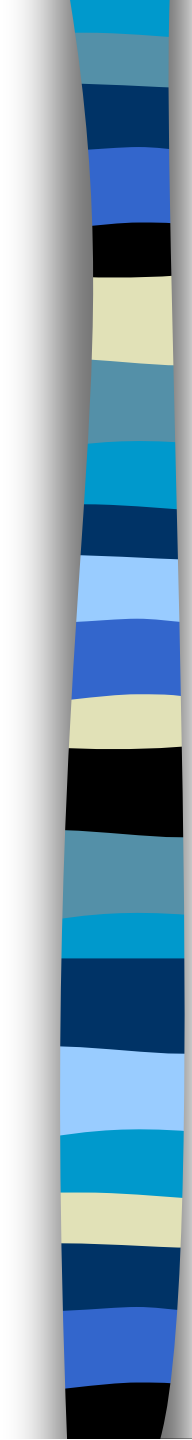
Policies of enlarging franchises of CMM international cooperation

- In addition to China United Coalbed Methane Corp.ltd., some other enterprises will be chosen to be experimental units of CMM cooperative exploration.
- Large state-owned coal, oil and gas enterprises entitled to CMM and coal mining are highly encouraged.
- CMM drainage in the process of coal enterprises' mining is not in the scope of international cooperation franchises.



Utilization of low-concentration gas in China

- About 18 billion m³ pure methane was discharged from coal mines in 2007.
- Ventilation air gas of less than 1% concentration accounted for about 65%-70% of the overall methane emission.
- Gas of less than 30% concentration accounted for 50%-60% of the extracted 4.7 billion m³ methane.
- 1.45 billion m³ was actually utilized.

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- In 2008, 5.67 billion m³ gas was extracted cumulatively, amount which 1.72 billion m³ gas was actually utilized, accounting for 30.3% of the total.



Standards of low-concentration gas

- 8 technology standards constitute a comprehensive standards system for safe drainage, transmission and utilization of low-concentration gas, including
<Design Criteria for the Safety Support System of Coal Mine Low-concentration Gas Transmission Pipeline >, *<Technology Criteria for the Integrated Transmission of Coal Mine Low-concentration Gas and Fine Water Mist>*, *<Technology Criteria for Safe Transmission System of Coal Mine Low-concentration Gas Air-water Two-phase Flows>*, etc.



Thank you!