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**STATEMENT BY UNDER SECRETARY OF STATE FOR DEMOCRACY AND GLOBAL AFFAIRS PAULA
DOBRIANSKY TO THE THIRTEENTH SESSION OF THE CONFERENCE OF THE PARTIES TO THE UN
FRAMEWORK CONVENTION ON CLIMATE CHANGE (AS RELEASED BY THE STATE DEPARTMENT);
LOCATION: BALI, INDONESIA**
SECTION: STATE DEPARTMENT BRIEFING
LENGTH: 770 words

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LOCATION: BALI, INDONESIA DATE: WEDNESDAY, DECEMBER 12, 2007

MS. DOBRIANSKY: Thank you Mr. Chairman. We commend you for an outstanding
Presidency and a superbly arranged conference. Your leadership and that of
Secretary General Ban Ki-moon is greatly appreciated and has contributed
significantly to the COP proceedings.

Congratulations to Dr. Pachauri and the Intergovernmental Panel on Climate
Change for their excellent work and Nobel Prize. As the IPCC report reminds us,
we are at a defining moment. We must develop a global response that rises to the
scale and scope of the challenge before us.

The United States is committed to doing its part in this effort. We seek to work
together toward a "Bali Roadmap" that will advance negotiations under the U.N.
Framework Convention on Climate Change and lead by 2009 to a post-2012
arrangement that addresses climate change and strengthens our energy security.

A post-2012 arrangement must be environmentally effective and economically
sustainable. It also must be flexible.

To attract global participation, a future arrangement must be flexible and
accommodate a diverse range of national circumstances. We must also develop and
bring to market clean energy technologies at costs that countries can justify to
their citizens.

Emissions are global and the solution, to be effective, will need to be global.
We want the world's largest economies, including the United States, to be part
of a global arrangement. An approach in which only some are committed to acting
cannot be environmentally effective.

We have proposed that a future arrangement contain several elements:

Mitigation

First, in the area of mitigation, we believe a post-2012 arrangement should
contain both a long-term global goal for emissions reductions and national plans
that set measurable mid-term goals. It should include improved measurement and
accounting systems to track the progress of these efforts.

We must reduce emissions from deforestation. We welcome the World Bank's Forest
Carbon Partnership Facility and we are committed to continuing our leadership
through initiatives such as the Congo Basin Forest Partnership, the President's
Initiative Against Illegal Logging, and the Tropical Forest Conservation Act.

Adaptation

A second critical issue is adaptation, which is an increasing priority both at
home and internationally. We are promoting effective planning as part of broader
development strategies. Initiatives like the Global Earth Observation System of
Systems (GEOSS) initiative, involving more than 70 countries, can play a key
role in this effort. Last week, we announced $4.35 million for the Coral
Triangle Initiative to help Indonesia adapt to some of the stresses that may
come with climate change.

Technology

Technology is a third key element of a post-2012 arrangement. We want to
collaborate on technology development and deployment strategies for key sectors
such as advanced coal technologies and second-generation biofuels and work to
increase access to technologies, especially for developing countries.

Financing

Finally, a fourth element is financing. President Bush has proposed a new
international clean technology fund to accelerate the uptake of clean energy
technologies around the world, and Treasury Secretary Hank Paulson is reaching
out to partners to further develop this concept. Also, we recently joined the
European Union in submitting a ground-breaking proposal in the World Trade
Organization for eliminating tariff and non-tariff barriers for environmental
goods and services.

The Road Ahead

The United States is committed not only to developing a roadmap but seeing it
through to its conclusion. We have brought one of our most senior delegations
ever to Bali, including the Chairman of the White House Council on Environmental
Quality James Connaughton, who is President Bush's personal representative to
the Major Economies Process.

As we go forward from Bali, we hope that the Major Economies initiative --
announced in May 2007 and since endorsed by G8 and APEC leaders -- can play a
positive role by developing a detailed contribution to and advancing the UNFCCC
process.

Mr. Chairman, we hope that the end of 2007 marks a new beginning -- the launch
of a new phase in climate diplomacy and negotiations that put us on the road to
an environmentally effective and economically sustainable post-2012 arrangement
on climate change.

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**Interview with Brian Ricketts, IEA energy analyst**
LENGTH: 1335 words

Brian Ricketts, an energy analyst with the International Energy Agency (IEA),
spoke to Interfax recently about China's coal sector, and its dominant role in
the country's energy industry in the foreseeable future.

Ricketts said that China's rapidly growing coal demand will likely turn the
nation into a net coal importer, which as a result, will drive up coal prices on
the international market. Such high prices will then have a flow-on effect on
the domestic Chinese domestic, increasing the need for consumers to adopt
efficient utilization practices. He said that the country's coal sector should
look closely at a new recently approved methodology that would grant carbon
emission reduction credits for building new efficient coal-fired power plants.

In addition, Ricketts said that the increasing interest Chinese coal companies
are showing in acquiring overseas coal assets should be interpreted as a
commercial strategy rather than a unified national strategy.

Ricketts joined the IEA, an intergovernmental organization that advises
industrialized countries on the international oil market, in 2005 as a coal
analyst with the Long-term Cooperation Policy Analysis Office's Energy
Diversification Division. Prior to that, he worked with the UK Department for
Business, Enterprise and Regulatory Reform where he advised on coal markets and
all matters relating to clean coal technologies.

Interfax: What do you think the future role for coal will be in China's energy
consumption, considering the Chinese government's push for renewable energy?
Ricketts: It's crucial. It is crucial now and will continue to be crucial in the
future. All of our projection shows that China's electricity sector will remain
dominated by coal.

Interfax: As coal will remain the leading form of energy, what do you think
should be the prime focus of the coal sector in order to reduce pollution?
Ricketts: Local pollution control must remain the prime objective. From an
international perspective, there will be mounting pressure on China to do
something about carbon dioxide emissions.

Look at China's laws, it's all there. All the measures needed have been
expressed by the NDRC, but implementing those [measures] at the provincial level
remains a problem, and the monitoring of important existing regulations should
proceed. You need more manpower to do that.

The environmental protection agencies need more people to control existing rules
and regulations.

Interfax: Some Chinese experts have predicted that the country will turn from
being a traditional coal exporter to a net coal importer. What impact do you
think that will have on the global coal market? Ricketts: China was a net coal
importer for several months this year.

China is definitely going through a transition. We predict net imports to rise
significantly, with projections having them stand at around 100 million tons by
2030. It put China in a very important position in terms of the prices on the
global market and our hope is that the [increased] prices will also flow into
China itself, so that Chinese consumers will see more expensive coal prices, and
therefore be more careful about how to use coal in a more efficient manner.

Yes, coal prices will be higher to some extent, but it will lead people to use
energy more efficiently. If China's domestic coal market becomes more integrated
into the international coal market, you should see high prices, especially for
coal for power generation.

Japan, the world's largest coal importer, is very concerned about high coal
prices. But Japan is a rich country. It should be able to weather the high coal
costs.

Interfax: What do you think about Chinese companies, such as Shenhua, looking
overseas to acquire coal-related assets? Ricketts: What they are doing is the
same as any other multinational coal company - expanding operations into areas
where coal can be produced more cheaply. For example, it is sometimes cheaper to
produce coal in Indonesia and transport it to southern China's Guangdong
Province than transport coal from northwestern China. Coal transportation costs
in China are horrendous.

I think they are moving in the right direction. I'd still like to think that it
is part of a commercial strategy, not a national strategy to ensure energy
security. People are getting mixed up between national energy security through
acquisition of foreign assets and commercial strategies. If you own a foreign
energy asset, it doesn't mean that energy produced from the asset will come to
your country because in a global market, it will go to whoever pays the most for
it. So, China shouldn't be thinking those are permanent roots for supplying
China. The coal might get to other countries.

Interfax: But do you see such mentality among Chinese coal companies? Ricketts:
Of course we do, and we hear it, but we think such mentality will change as
money talks loudly. If India, for example, is willing to pay more for Indonesian
coal, then it will go there. People who use coal most efficiently and in the
most sensible way will receive it [coal resources], and those inefficient users
will drop out. It actually happened already among coal producers, with the most
efficient coal producers leading the market, which is good.

Interfax: China has a huge problem with coal transportation bottlenecks, but in
the meantime, the central government has set a minimum production capacity level
in order for coal mining projects to be approved. So the situation has become
very awkward for regions that are not rich in coal resources and are not
conveniently reached by transportation networks.

What's your comment on that? Ricketts: No one can comprehend the size of China's
coal sector, which is tremendous. There is no single rule that can fit the whole
of that sector. I think the 300,000-ton annual production [level] is going to
cause a problem for small [coalmines] and rural areas, where a more modest scale
is needed. My view is that coal mining can be carried out safely at almost any
scale, the important thing is to carry it out safely. Uncontrolled small scale
mining we've seen in China is wrong and needs to be improved.

To move only to large scale mining, as the NDRC wants, is only one solution, and
I guess there are others. If we look around the world, in Europe and the United
States, smaller scale coal mining has been operated safely and cleanly, but it
needs more manpower, such as inspectors, to monitor it.

Interfax: What do you see the potential for clean development mechanism (CDM)
projects in China's coal sector being? Ricketts: China's CDM market is currently
dominated by HFC (hydrofluorocarbon) and coalmine methane projects. A new
methodology approved in September this year would allow credits to be created by
the building of more efficient coal-fired power stations. The Chinese coal
sector needs to look very carefully at this new methodology, and decide whether
it can build more efficient coal power plants in the future, and take the
benefits from that new methodology. But, it's only for investment into new power
plants, [and] that could damage the prospects of existing projects.

Interfax: What do you think about China's coal chemical industry? Ricketts: It's
a very unique industry. Not many other parts of the world use coal in that
quantity in coal chemical production. It's understandable and growing. It's a
way of moving coal energy in a more efficient way.

Shenhua was given full support from the government to proceed with such
projects, highly risky projects. For those large scale CTL projects, they are
full commercial demonstrations, but they are using technologies that are not
completely proven. The methanol industry also seems to be growing very quickly.

China's coal chemical industry is apparently overheating and the NDRC has the
same concern. It's different from the coal mining sector. Coal chemical projects
can only be carried out safely, cleanly and economically on a large scale, while
I would maintain that coal mining could proceed at smaller scales.