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**Climate regime will bind;
BEIJING'S PROMISE**

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CHINA has vowed to use market-based measures to fight global warming, while
giving support for Kevin Rudd's plan to build a climate change "bridge" between
the developed and developing worlds.

China's climate change ambassador, Yu Qingtai, told reporters China would follow
a two-track strategy of reducing emissions at home and negotiating to turn the
Bali climate change "road map" into a binding global regime at the end of 2009.

"China has two responsibilities. One is to actively take part in international
talks, but the core of our work, no matter whether there is climate change talks
or how they progress, is that we will continue the tasks we've set for
ourselves," Mr Yu said.

China's leaders often highlight the challenges of global warming. The new
national climate change program commits the country to reducing the energy
intensity of the economy by 20 per cent by 2010. And Mr Yu was seen to have
played a constructive role in forging a consensus in Bali. But China is already
the world's largest source of new carbon dioxide emissions, and the country has
baulked at imposing any market-based "price" for emissions, such as a carbon tax
or tradeable emissions quotas. Instead, China's centralised pricing system has
led to large energy subsidies as global oil prices have recently soared.

Pressure is building within China for policymakers to adopt market pricing for
energy and an additional market price for carbon emissions. Asked if China would
introduce a market-based carbon price, Mr Yu said: "We will enact laws and
regulations and make full use of the market and carry out policies necessary to
deal with this issue."

A China economist at UBS, Jonathan Anderson, this week calculated that China's
effective crude oil subsidies rose above 20 per cent last month, up from an
average of 8 per cent during the year and about zero last year.

Mr Yu welcomed Australia's decision to ratify the Kyoto Protocol, and he
encouraged Canberra's new role in global climate change negotiations.

"The next job for us is to honour our commitments to the Kyoto Protocol, and we
expect Australia to play a constructive role," he said. "We're ready to work
with Australia."

Mr Yu hailed the "positive significance" of the US in Bali, but again implored
rich countries to do more.

"Developed countries should exert more sincerity and fulfil their obligations by
providing technology and finance to developing countries to help them play their
roles," he said.

China has mainly relied on domestic administrators to close down or deny finance
to heavy polluters.