

No. 11 of 2011: Audit Investigation Findings of Energy Conservation and Emission Reduction of Enterprises in 20 Provinces

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In accordance with the provisions of the Audit Law of the People's Republic of China, the National Audit Office (CNAO) conducted audit investigations on the energy conservation and emission reduction situation from 2007 to 2009 of electric power, steel and cement industries in the 20 provinces, autonomous regions and municipalities (hereinafter referred to as the 20 provinces) of Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Fujian, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Chongqing, Sichuan, Guizhou and Shaanxi. The audit investigation findings are hereby announced as follows:

1. Energy Conservation and Emission Reduction Achieved Good Results

Audit investigation findings show that since 2007, the relevant localities and enterprises attached great importance to those aspects ranging from energy conservation and emission reduction work, to conscientious implementation of the arrangements and requirements of the Party Central and the State Council, to an increase of investment, to improving rules and regulations, to establishing and fully-fledged the accountability mechanisms, thus ensuring the smooth progress of energy conservation and emission reduction work. And good results were achieved.

First, central and local finance increased funding input to support the implementation of key energy conservation and emission reduction projects. From 2007 to 2009, the 20 provinces cumulatively invested 124.187 billion yuan of special funds for energy conservation and emission reduction (not including new energy type funds), of which: 91.828 billion yuan was from central finance and 32.359 billion yuan from provincial finance. These funds mainly went to municipal sewage treatment plants and associated pipeline networks (33.2%), water pollution prevention and control of key drainage areas (25.3%), ten key energy conservation projects (15.1%), and elimination of outdated production capacity (11.6%) etc., In this way, the funding input effectively supported the successful implementation of key energy conservation and emission reduction projects.

Second, the state's relevant departments and local governments took active measures to effectively promote energy conservation and emission reduction work. The National Development and Reform Commission, the Ministry of Finance and other departments successively worked out and adopted more than 30 systems and measures, including target assessment, awards instead of subsidies, emission

reduction verification, elimination of outdated production capacity, etc; in addition, they organized and conducted special inspections to ensure that energy conservation and emission reduction policies were in place and carried out. The 20 provinces developed more than 60 supporting measures, fulfilled the objectives and tasks by way of level-to-level solution, ensuring the smooth progress of energy conservation and emission reduction. As of the end of 2009, among the 20 provinces, 15 provinces have completed the planned task of shutting down small thermal power plants ahead of the "Eleventh Five-Year" plan, 16 provinces have completed the plan of eliminating outdated cement production capacity ahead of the "Eleventh Five-Year" plan, 8 provinces have completed the plan of eliminating outdated steel production capacity enterprises ahead of the "Eleventh Five-Year" plan.

Third, the enterprises strengthened energy-saving technological transformation, reduced energy consumption and emissions. From the year of 2007 to 2009, key enterprises in the 20 provinces that used financial incentive funds implemented 2,002 projects on energy conservation technological transformation, reduced energy consumption equivalent to 52.8515 million tons of standard coal; installed 2,843 sets of desulphurization facilities, and reduced 10.73 million tons of sulfur dioxide emission. During these 3 years, thermal power, steel and cement enterprises spot-checked by the audit injected a total of 63.717 billion yuan of funds (including 5.783 billion yuan of finance investment) into energy conservation and emission reduction, through elimination of outdated production capacity and introduction of new equipment, new processes, new technologies, etc., the average energy consumption for unit of product decreased by 2.8%, 5% and 12.6%, respectively.

2. Main Audit Investigation Findings and Rectification Situation

The audit investigation findings show that the state's relevant departments and local governments attach great importance to energy conservation and emission reduction; so the measures taken were concrete and effective, the execution by relevant enterprises was forceful, the overall effect of energy conservation and emission reduction was remarkable; there were no major cases occurring in violations of law and discipline in the management and use of state finance invested funds. However, the audit investigation also found that some enterprises were not up to standard in the management and use of special funds for energy conservation and emission reduction; some enterprises in violation of regulations built new high energy consumption projects; in some enterprises the new construction projects were not up to national standards for pollution prevention; some enterprises were not sufficiently thorough in eliminating outdated production capacity; and in some enterprises there were irregularities in land use and other issues. After the audit investigation noted these problems, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Industry and Information Technology, the National Bureau of Energy and other departments have carried out investigations, urged the various localities to take corrective actions; and they have committed themselves in the

improvement of relevant policies and systems so as to give impetus to the progress of energy conservation and emission reduction work. Relevant local governments, departments and enterprises attached great importance, to these issues which are under rectification and initial success has been achieved, and in accordance with the law 20 relevant persons have been held accountable. Specifically:

(1) 11 enterprises including the Changsha Greene Environmental Protection Technology Co., Ltd., the Inner Mongolia Haosheng Thermal Co., Ltd., and others diverted or misappropriated 57 million yuan of special funds for business and other expenses; 14 enterprises including the Xuzhou Zhongke Glass Co., Ltd., the Weinan City Yu Jie Environmental Protection Co., Ltd., and others extracted 86 million yuan of special funds by fabricating false declaration information, multiple or repeated declarations and other means; 15 enterprises including the Shaanxi Weihe Coal Chemical Group Co., Ltd., the Maanshan City Wangjiashan Sewage Treatment Plant and others over-received 62 million yuan of energy conservation and emission reduction special funds due to laxity in verification by the relevant departments.

After the audit investigation noted the above issues, as of the end of March 2011, the relevant localities pressed the 11 enterprises to return in full to the original channels the 57 billion yuan diverted and misappropriated; the relevant unites retrieved 144 million yuan of funds extracted or received in excess by 26 enterprises; 10 persons responsible were punished; enterprises and individuals who violated regulations were fined by 6.62 million yuan. In addition, 4.3481 million yuan of funds received in excess by 3 enterprises is in the process of being recovered.

(2) Since 2002, 42 enterprises including the Shandong Tianyuan Thermal Power Co., Ltd., the Sanmenxia Huineng Thermal Power Co., Ltd., the Taizhou City Xinqu Chemical Power Plant and others, constructed 44 thermal power projects in violation of regulations, involving installed capacity of 9.39 million kilowatts; 97 enterprises including the Hangzhou Iron & Steel Group, the Jing'an Iron and Steel Company Ltd. of Fengnan District, Tangshan City, the Xilin Iron and Steel Group Company and others, constructed 143 iron and steel projects in violation of regulations, involving iron production capacity of 72.0199 million tons, steel production capacity of 73.698 million tons, rolled steel production capacity of 15.096 million tons; 47 enterprises including the Leshan City Haitian Building Materials Co., Ltd., the Haicheng City Mao Qi Cement Co., Ltd., the Guizhou Congjiang Mingda Cement Co., Ltd. and others, constructed 47 cement projects in violation of regulations, involving 40.83 million tons of cement production capacity.

After the audit investigation noted the above problems, the National Development and Reform Commission carried out a special verification work on irregular iron and steel projects. Relevant localities and enterprises also actively conducted rectification of other issues regarding irregular expansion of production capacity; 10 persons responsible have been dealt with. As of the end of March 2011, 39 enterprises have

improved or are submitting approval procedures for thermal power projects totaling 9.315 million kilowatts capacity; 72 enterprises have taken measures such as eliminating equivalent capacity, improving the procedures for approval, etc., to correct the irregular construction of iron production capacity of 50.8605 million tons, steel production capacity of 61.2077 million tons, rolled steel production capacity of 3.75 million tons; 40 enterprises have stopped construction, suspended production to undergo consolidation or are working hard to improve approval procedures, involving 38.52 million tons of cement production capacity.

(3) As of the end of 2009, as far as 8 enterprises including the Ordos City Dongsheng Power Plant, the Huxian Thermal Power Plant of Datang Shaanxi Power Generation Co., Ltd., and others, were concerned there existed issues of over-reporting of closed-down and stopped installed capacity, lack of thoroughness in disposal of eliminated outdated production capacity equipment, etc., involving installed capacity of 492,500 kilowatts; as to 121 enterprises including the Nanjing No.2 Steel Plant, the Hejin City Yinxing Iron and Steel Co., the Hubei Dingsheng Metallurgical Technology Co., Ltd., and others, there existed issues of over-reporting of eliminated outdated production capacity, etc., involving iron production capacity of 23.479 million tons, steel production capacity of 20.982 million tons; as to 54 enterprises including the Chongqing City Jianan Cement Co., Ltd., Nanning City Beihu Cement Plant, Anhui Province Dajiang Co., Ltd., and others, there existed issues of failure to eliminate outdated production capacity that should have been eliminated, etc., involving cement production capacity of 9.1555 million tons.

After the audit investigation noted the above problems, as of the end of March 2011, 8 enterprises have closed down or dismantled small thermal power units totaling 492,500 kilowatts, 105 enterprises have eliminated outdated iron production capacity of 16.549 million tons and steel production capacity of 14.152 million tons, 39 enterprises have eliminated or included in the plan for elimination of outdated cement production capacity totaling 6.9015 million tons.

In addition, the audit investigation also found that some enterprises in 12 provinces through renting instead of requisition, using before approval, and other means, used land in violation of regulations; some enterprises enjoyed preferential policies such as unwarranted power price, tax rebates, and waiver of land transfer costs, etc. After the audit investigation noted these issues, 8 provinces have modified and improved relevant policies and systems in a timely manner, eliminated irregular preferential policies enjoyed by enterprises regarding land, taxes and power prices, etc.; 4 provinces are active in spelling out rectification measures.