

# China's New National Energy Commission

How the Wen Jiabao-led NEC will shape China's energy policy

By Hong Qu

**O**n January 27, the State Council announced the establishment of the long-awaited National Energy Commission (NEC). Premier Wen Jiabao will be chairman of the NEC and Vice Premier Li Keqiang will be vice chairman.

This new commission has been established to elevate and enhance strategic decision making, overall planning and coordination of China's energy industry. The NEC is responsible for developing the national energy strategy, reviewing

energy sector issues, as well as coordinating China's efforts to secure energy both at home and abroad.

## THE RIGHT TIME

In March 2008, the State Council restructured its energy plan, and authorized the formation of the National Energy Administration (NEA), a national bureau supervised by the National Development and Reform Commission (NDRC).

Last year, a wave of Chinese companies completed overseas investments in

the energy sector. The government also started to consolidate coal resources in Shanxi Province. However, during these developments the NEA had limited power to navigate the complicated energy sector landscape, which made it difficult for them to address challenges in critical areas, such as market entry and pricing reform.

The NEC was formed largely because the NEA didn't effectively coordinate the administrative functions in the energy sector, which are divided among more than 10 authorities. These include the

## MEMBERS OF THE COMMISSION

### CHAIRMAN:

**Wen Jiabao**, premier of the State Council

### VICE CHAIRMAN:

**Li Keqiang**, vice premier of the State Council

### MEMBERS:

**You Quan**, vice secretary general of the State Council

**Zhu Zhixin**, chief of the General Affairs Office, Leading Group of Financial and Economic Affairs

**Yang Jiechi**, minister of Foreign Affairs

**Zhang Pin**, chairman of the National Development and Reform Commission

**Wan Gang**, minister of Science and Technology

**Li Yizhong**, minister of Industry and Information Technology

**Geng Huichang**, minister of State Security

**Xie Xuren**, minister of Finance

**Xu Shaoshi**, minister of Land and Resources

**Zhou Shengxian**, minister of Environmental Protection

**Li Shenglin**, minister of Transport

**Chen Lei**, minister of Water Resources

**Chen Deming**, minister of Commerce

**Zhou Xiaochuan**, governor of the People's Bank of China

**Li Rongrong**, chairman of the State-Owned Assets Supervision and Administration Commission

**Xiao Jie**, director of the State

Administration of Taxation

**Luo Lin**, director of the State Administration of Work Safety

**Liu Mingkang**, chairman of the China Banking Regulatory Commission

**Wang Xudong**, chairman of the State Electricity Regulatory Commission

**Zhang Qinsheng**, deputy chief of the General Staff Department

**Zhang Guobao**, vice-chairman of NDRC and director of the National Energy Administration

NDRC Chairman **Zhang Ping** will head the NEC's operations office while NEA Director Zhang Guobao will act as the deputy head of NEC's office. The NEA will undertake the daily works of the NEC's operations office.

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NDRC, State-Owned Assets Supervision and Administration Commission, and the State Electricity Regulatory Commission, among others. This structure failed to meet the requirements of the healthy development of China's energy industry, which was fully reflected in the recent tension between the coal and electricity sectors, as well as during the natural gas shortage this winter.

Most of these challenges are in urgent need of being addressed. As such, the time was right for a strengthened regulatory body to be established to oversee energy use. While the 12<sup>th</sup> Five-Year Energy Plan is under development, the NEC has reportedly started to draft a long term national energy strategy for the next 20 years.

### A "SUPER" TEAM

The list of members on the NEC makes the new commission appear to be similar to a "super" ministry, or a smaller version of the State Council. With direction from the premier and vice premier, the NEC is comprised of 21 minister-level members from not only the ministries under the

State Council, but also from the Communist Party of China, the national security authority and the People's Liberation Army (PLA), which is quite unusual and broader than expected.


The composition of this "super" team shows that China's top leadership is determined to streamline China's energy framework and that energy security is a major national priority. Since the energy industry relates to a variety of sectors and its issues range from electricity, coal, oil and gas, to pricing reform, market entry, taxation, imports/exports, and national security—the establishment of a high level organization like the NEC should help coordinate goals among different authorities. Furthermore, the level of support provided by the three major oil companies, five electricity groups and the current energy authorities will all be crucial to the success of this new government structure.

The Ministry of Science and Technology, the Ministry of Environmental Protection and the Ministry of Transportation will all play parts to promote new energy and environmental protection technologies, as well as help address the tension

surrounding energy transportation.

The NDRC, the Ministry of Finance, the State Administration of Taxation, the Central Bank and China Banking Regulatory Commission will likely also strengthen the NEC's mandate, as this means the central government will issue more preferential policies in terms of financial, fiscal and taxation to support China's energy industry.

The NEA will act as the arms and legs of the new NEC, and will be responsible for implementing NEC's decisions. NEA Director Zhang Guobao will be deputy director of the NEC's operations office.

The participation of the Ministry of Foreign Affairs, the Ministry of State Security and the PLA shows that energy is now elevated to the level of national strategic security. China will likely leverage its political, commercial and military influence more proactively to protect its energy interests. 

*Hong Qu is the director & chief consultant for Burson-Marsteller Beijing's Government Relations & Public Policy Consulting Practice.*