State raises outdated capacity target

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China has raised its targets for eliminating outdated capacity in industries like steel, iron, glass and cement, in a move to cut emissions and save energy, according to an action plan released on the central government' website on Monday.

Another 15 million tons of steel production capacity is expected to be closed by the end of 2015, besides the original target of eliminating 48 million tons of outdated capacity made at the beginning of the 12th Five-Year Plan period (2010-15), the State Council said.

Emission reduction and energy-saving will be a criterion to assess the performance of local officials, Xu Shaoshi, head of **National Development and Reform Commission**, said at a press conference in Beijing on Monday.

Energy consumption per unit of growth is expected to be reduced by 3.9 percent annually in 2014 and 2015, in order to meet a 16 percent reduction target for the five-year period.

Besides eliminating outdated capacity, the action plan also said that new projects will be forbidden in industries that are suffering from severe overcapacity.

Demand in these sectors has been sluggish amid the overall economic slowdown, but "eliminating outdated capacity is different from cutting capacity, and demand will climb back when the economy warms up," said Chen Yao, director of the Institute of Industrial Economics at the Chinese Academy of Social Sciences.

Industries with low emissions will be encouraged, such as the services sector.

The total output of China's environmental protection and energy-saving related industry will reach 4.5 trillion yuan by 2015.

Xu Hongcai, director of the Department of Information at the China Center for International Economic Exchanges, noted that the move will bring more vitality to the economy and "participation of private capital could make the sector more efficient."

Xu further noted that to eliminate outdated capacity and boost the development of environment related industries could also benefit the country's overall economic restructure.

Firms struggle with emission targets

Some of China's biggest power generators are struggling to meet carbon dioxide reduction targets via Shanghai's carbon market as a lack of supply means they cannot buy enough permits to cover their emissions, Reuters reported on Monday citing a source.

The nearly 200 firms in Shanghai's carbon market have until June 30 to hand over permits to the government to cover for the carbon dioxide they emitted last year.

The government distributed around 160 million tons permits to scheme participants in 2013, which was expected to be enough for them to meet their goals. Those who emitted more carbon dioxide than covered by their allotted permits must buy extra permits in the market.

"We are trying to find someone who can sell in bulk, otherwise there is no way for us to comply and we will have to pay the penalty," said an official from China Power International.