In 2005, 232.82 million tons of coke, 8.95 million tons of calcium carbide, 25 million tons of coal-made fertilizer and about 3.5 million tons of coal-made carbinol were produced in China.

In 2006, China’s output of coke, calcium carbide, coal-made fertilizer and coal-made carbinol respectively amounted to 280.54 million tons, 11.77 million tons, 28.55 million tons and 4.7 million tons, all ranking the first in the world. The development of coal chemical industry plays an important role in alleviating the supply and demand conflict of high-quality energies like petroleum and natural gas as well as in boosting the development of iron & steel industry, chemical industry, light industry and agriculture.
Since the year 2004, due to the continuously rising international price of oil and the comparatively low level of coal price, the economic features of coal chemical projects gradually emerged, stimulating the enthusiastic of the public to develop coal chemical industry in domestic coal-rich zones. In addition to the fast-growing traditional coal chemical industries including coke, calcium carbide and coal-made fertilizer industry, modern coal chemical industries involving coal-made alcohol-ether fuel and coal-made oil were also successively planned to establish.

According to the investigation of Industry Department, National Development and Reform Commission, the current under-construction chemical projects of China add up to 30 with the total investment of over RMB 80 billion. These projects will increase the following production capacity: 8.5 million tons of carbinol, 900 thousand tons of DME, 1 million tons of olefin and 1.24 million tons of kerosene. And the filed production capacity includes 34 million tons of carbinol, 3 million tons of olefin and 3 million tons of kerosene.

Against the gradually emerged Investment Fever in coal chemical industry, National Development and Reform Commission issued an announcement in Jul 2006, demanding more effort in the establishment and management of coal chemical products so as to promote the sound development of the industry. Meanwhile, related departments are also seizing the day to establish development policies and mid & long-term development plan of coal chemical industry. In this sense, China coal chemical industry is in a critical and hypersensitive period.

Coal chemical industry is newly emerged though, yet due to the severe restriction in resource and environment as well as the problems in blind development and redundant construction, there are many infinite factors and risks in its development---especially in recent years, the soaring international oil price brought about unprecedented development opportunities to coal chemical industry. Under the macro guidance of state energy policies and industry policies, all coal regions showed unprecedented enthusiasm in developing coal chemical industry, and successively established industrial development plan with related strategic decisions.
Against the background of high oil price, the performance to price ratio of coal resources has been increasingly obvious. Additionally, due to the abundant coal resources of China, numerous enterprises successively set foot in coal chemical filed. Nevertheless, being restricted in cost pressure of environmental protection as well as surplus production capacity, traditional coal chemical industry has quite finite development margin. The main bright spot of coal chemical industry lies in the new-type coal chemical development related to new energy; and the new energy direction of coal chemical industry mainly refers to coal replacing oil, which includes three routes: carbinol, DME and coal-to-oil. Considering from the maturity of technology and application, DME enjoys the most capacious development margin because it can be widely used in traffic and other areas.

Coal-to-oil and olefin of China are still in industrialized experimental and demonstrating stage, so risks exist in technology and project; however, despite the objective condition, some people surged to plan and build coal-to-oil and olefin projects, which resulted in the immature technology and uneconomical equipments of most of current under-construction items. Furthermore, owing to the huge investment (usually several billion RMB) of the equipments, they are regarded as high-risk projects.

The 11th Five-Year Plan for China Coal Industry published in Jan 2007 suggested to orderly boost the construction of demonstration projects for coal transformation and to promote the establishment of coal-to-liquid demonstration projects, and claimed for the accomplishment of industrialized demonstration of coal-to-liquid and coal-to-olefin so as to lay a solid foundation for the industrialization development of the following decade. In the Notice of State Council to Issue the Comprehensive Energy-Saving and Emission-Reducing Scheme issued in Jun 2007, Chinese government claimed for a second time that alternative energy will be gradually developed with mid and long-term plan so as to promote the large-scale demonstration project and technical reserve for direct and indirect coal-to-liquid, coal-based alcohol ether and olefin-to-oil items. China's attitude toward coal-to-oil is "to promote technology reserve"; by sharp contrast, China will "vigorously develop" renewable energy.
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