

Wind - China

Key takeaways from expert call with China Wind Energy Association

Industry Overview

We hosted an expert call with Mr Qin Haiyan, Secretary-General at Chinese Wind Energy Association to discuss the Chinese wind industry outlook. Below are the key takeaways.

Demand: 70-80GW pa in 2024-25 with more offshore

Mr Qin sees Chinese wind power installation reaching ~60GW in 2023, of which about 5GW from offshore. He expects the pace will accelerate to 70-80GW in 2024-25 toward the latter part of the Five-Year Plan. Offshore wind will lead this growth with >10GW p.a in 2024-25 and almost 20GW by 2026 as the lengthy approval process over the past two years will switch to the construction stage, and the deep-sea installation will see more growth. Grid capacity for Western utility scale project is lagging the construction of renewable power, but he doesn't think this is a major constraint with more demand shifts to local provinces for renewable energy consumption. Longer term he expects wind installation to reach 100GW per year by 2030 reaching 1,000GW cumulative capacity, partly supported by the large replacement demand at c.45GW.

Tariff: Short-term hit from spot market trading

Mr Qin believes capacity tariff policy and spot market trading will hurt renewable power tariffs in the short term, with solar seeing bigger impact from the latter given more concentrated power output during the daytime. He thinks these policies can improve the utilization of renewable power in the long term. In addition, wind/solar power operators can establish long-term power purchase agreement to hedge the fluctuations in the spot market. They can also earn a premium in green power trading. While the scale is still small now, he sees high demand for such a market due to climate policies and more policies to enlarge the market size.

Supply chain: Limited downside in wind turbine prices

Prices for wind turbine generator without tower box has reached around RMB1,000/kW and will see limited downside, in his view, as tender volume is rising and hence better demand going forward. He thinks it is hard to see major industry consolidation with more government enterprises in the market, but bigger wind turbine is raising the manufacturing hurdle and hence may help some capacity exit after losses. Lower input costs are driving wind farm construction costs toward ~RMB4,000/kW for onshore and RMB12,000/kW for offshore. But the higher wind farm project returns have other administrative costs hence broad project returns at mid/high-single-digit.

Exports: Chinese brands seeing more market share

Exports will remain important with made-in-China accounting for 60-70% in parts and wind turbine. Chinese brands will increase market share with rising emerging market demand and price competitive Chinese products. Mr Qin thinks Chinese manufacturing is inevitable for the developed world to reach climate goals.

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