

Utilities - HK/China (H/A)

Watt's Up #7: 2024 power demand growth at 6%, EU solar aids, US restrictions

Industry Overview

Power: China demand growth expected at 6% in 2024

On Jan 30, 2024, China Electricity Council (CEC) released 2023-2024 national power supply and demand forecast report. Power consumption was at 9.22 trillion kWh, or increased by 6.7% YoY in 2023, and CEC forecasts power consumption will be 9.8 trillion kWh in 2024, or increase of c.6% YoY. The non-fossil power installed capacity exceeded the thermal power capacity for the first time in 2023, accounting for more than 50% of the total capacity, and the proportion of coal-fired power capacity fell below 40% for the first time. Accumulative installed capacity is expected to reach 3.25 bn kW by YE2024, up by c.12% YoY. The newly added installed capacity will exceed 300GW again in 2024 – with wind additions at 89GW and solar at 171GW.

Power: Promoting major energy industry development

On Jan 29, 2024, 7 government departments jointly released Implementation opinions on promoting future industrial innovation and development. Key areas include 1) nuclear energy, nuclear fusion, hydrogen energy and biomass energy development; 2) research and development of new silicon solar cells, thin-film solar cells, and other high-efficiency solar cells and related equipment; 3) accelerate the development of energy storage and promote the integration and upgrade of energy and electronics industry.

Wind: 7 provinces approved 9 wind projects of 2.75GW

According to WindDaily, 7 provinces recently approved 9 wind farm projects, among which Zhejiang, Fujian, and Guangdong approved 3 offshore projects with total capacity of 1.9GW, Inner Mongolia, Hebei, Hunan, and Heilongjiang provinces approved 6 onshore projects with total capacity of 850MW. Zhejiang approved Goldwind's 600MW offshore project, which has a total investment of about RMB9.42bn.

Solar: European module producers seeking new aids

According to Reuters on Jan 30, 2024, European PV panel producers are asking the European Union to help them get through the difficulties caused by the cost competition from imported solar modules. It is expected half of the module producers will shut down their production lines in the next few weeks. Europe installed record high of 56GW solar power in 2023 with China as the major supplier. The European Solar Manufacturing Council (ESMC) urged the EU to initiate emergency measures, including purchase the surplus module inventories to alleviate the oversupply, and strengthen the government's support for local producers. On January 12th, the EU approved an EUR2.9bn aid plan to support the development of solar and other manufacturing industries, including solar module, energy storage batteries, wind turbines and heat pumps, etc. (More on next page...)

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Equity
HK/China
Utilities

Gary Tsang >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 6825
gary.tsang@bofa.com

Charlotte Xia >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 5029
charlotte.xia@bofa.com

Cissy Guan >>
Research Analyst
Merrill Lynch (Hong Kong)
cissy.guan@bofa.com

Glossary

ESMC: The European Solar Manufacturing Council
CEC: China Electric Council
RE: renewable energy

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Power: US restricts Chinese companies that aiding military

Reuters reported on Feb 1, 2024, that the US Defense Department added more than 10 Chinese companies, including China Three Gorges Group, to a list that is suspected to cooperating and helping with Chinese military. There won't be immediately bans to those on the list, but it will impact the companies' reputation and will be an obstacle on business cooperation between these companies and US companies. Also, the Defense Department is prohibited to contract with designated companies under the Section of 805 of the "Section 1260H" list imposed by the 2024 National Defense Authorization Act.

Exhibit 1: Valuation comparison table for China Utilities and Renewable companies

Key selected valuation metrics for utility and renewable sector companies in 2023-25E

		Prices (LCY)	PE			PB			EPS Growth			ROE		
			2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Wind														
Longyuan -H	916 HK	4.7	5.3	4.1	3.0	0.5	0.5	0.4	38%	32%	33%	10%	12%	14%
Longyuan -A	001289 CH	18.8	23.4	17.7	13.3	2.3	2.1	1.8	38%	32%	33%	10%	12%	14%
Datang Renewables	1798 HK	1.7	4.6	4.8	4.2	0.3	0.3	0.3	-16%	-5%	15%	8%	7%	7%
Three Gorges Renewables	600905 CH	4.4	17.0	14.7	11.7	1.5	1.4	1.3	3%	15%	26%	9%	10%	12%
MingYang Smart Energy	601615 CH	9.1	6.3	5.6	4.8	0.7	0.6	0.6	-10%	13%	17%	11%	11%	12%
Goldwind-H	2208 HK	2.9	4.5	4.3	3.4	0.3	0.3	0.3	10%	4%	28%	8%	8%	10%
Goldwind-A	002202 CH	7.0	11.9	11.5	9.0	0.8	0.8	0.7	10%	4%	28%	8%	8%	10%
Solar														
Maxwell	300751 CH	109.3	29.2	15.6	8.9	4.2	3.5	2.8	21%	87%	76%	15%	25%	35%
LONGi	601012 CH	19.6	10.5	15.3	9.7	2.0	1.8	1.6	-4%	-32%	58%	21%	13%	18%
JA Solar	002459 CH	17.8	7.2	16.9	8.9	1.7	1.6	1.3	4%	-58%	90%	26%	10%	16%
Jinko Solar	688223 Ch	8.0	10.5	13.5	8.6	2.5	2.2	1.9	155%	-23%	57%	26%	17%	24%
Trina Solar	688599 CH	23.1	7.8	12.3	7.1	1.6	1.5	1.3	73%	-37%	72%	23%	13%	19%
IPPs														
China Resources Power	836 HK	15.7	7.0	5.6	5.2	0.8	0.8	0.7	53%	24%	9%	13%	15%	15%
Huaneng-H	902 HK	4.1	5.5	5.3	4.8	0.9	0.8	0.7	n.a.	4%	11%	18%	16%	15%
Huaneng-A	600011 CH	8.5	12.4	11.9	10.7	2.0	1.8	1.5	n.a.	4%	11%	18%	16%	15%
Huadian-H	1071 HK	3.6	6.7	6.1	5.5	0.8	0.7	0.6	n.a.	9%	11%	12%	12%	11%
Huadian-A	600027 CH	6.0	12.1	11.1	10.0	1.4	1.2	1.1	n.a.	9%	11%	12%	12%	11%
CPID	2380 HK	2.9	9.9	6.2	5.6	0.8	0.7	0.7	20%	58%	12%	8%	12%	13%
Gas														
ENN Energy	2688 HK	59.2	8.9	9.8	9.5	1.4	1.3	1.2	17%	-9%	4%	18%	14%	13%
China Resources Gas	1193 HK	22.4	8.4	8.5	7.7	1.2	1.1	1.0	27%	-1%	11%	15%	13%	14%
China Gas	384 HK	7.1	9.9	7.5	7.0	0.6	0.6	0.6	-10%	31%	7%	7%	8%	9%
Shenzhen Gas	601139 CH	6.3	11.2	11.5	10.8	1.3	1.2	1.1	31%	-2%	7%	12%	11%	10%
Beijing Enterprises Holding	392 HK	27.9	5.0	4.7	4.2	0.4	0.3	0.3	-7%	6%	12%	8%	8%	8%
Hydro														
Yangtze Power	600900 CH	24.2	19.5	19.1	18.5	2.6	2.5	2.4	32%	3%	3%	15%	13%	13%
Guiguan Power	600236 CH	5.8	17.1	15.1	14.8	2.5	2.3	2.1	-15%	13%	2%	15%	16%	15%
SDIC	600886 CH	13.9	16.0	13.3	12.7	1.9	1.8	1.7	66%	21%	4%	13%	14%	14%
Environmental protection														
Everbright Environment	257 HK	2.7	3.8	3.9	3.9	0.3	0.3	0.3	-5%	-2%	0%	9%	8%	8%
Beijing Enterprises Water	371 HK	1.9	8.3	8.3	7.8	0.6	0.5	0.5	70%	0%	7%	7%	7%	7%
HK Utilities														
CK Infrastructure	1038 HK	46.5	16.0	14.7	14.2	1.0	1.0	1.0	-6%	9%	3%	6%	7%	7%
CLP Holdings	2 HK	63.1	14.3	12.5	12.1	1.5	1.4	1.4	1103%	14%	4%	10%	11%	11%
Guangdong Investment	270 HK	4.5	7.2	6.6	5.5	0.7	0.7	0.6	-15%	9%	21%	9%	10%	12%

Source: BofA Global Research estimates

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Title: Subtitle	Primary Author	Date Published
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[Solar - China: Wood Mackenzie solar expert call takeaways](#)

[Solar - China: European solar channel checks with Huasun Energy](#)

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