

Research note

By MAKE Consulting

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Concession Bidding Expected to Play Minor Role in China in Future

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To go along with China's electrical power system reform, to foster the sound and fast development of the wind power sector, to reduce the price level generated by wind power, and to fulfill the development objective on time, the Chinese government finally chose the concession bidding approach some years ago.

Concession projects are designed to select wind power project investors through competitive tenders for their power sales costs. The government aims to reduce wind power generation costs by taking advantage of such concession tenders to expand the scales of wind power development projects and improve domestic technologies for wind power generation facilities.

In 2003-2007, the concession bidding prices witnessed ups and downs. The prices ranged from 0.44435 RMB/kWh to 0.5249 RMB/kWh. After the new concession bidding policy adopted in 2007, the overall bidding price is on a moderate descent. The peak price in 2008 was 6413.19 RMB/kW and bottom price was 5898.01 RMB/kW. The peak price in 2009 is 5670 RMB/kW and bottom price is 5032 RMB/kW.

An in-depth review of the previous concession bidding projects shows that although most projects were monopolized by Sinovel, GW and DEC, newcomers emerged in 2009 such as XEMC, Windey and Mingyang. In future, we forecast that not many new players will enter this market. Those companies who have strong innovative abilities, product durability, a strong sense of maintenance, are service oriented and last but not least have very sound and rational supply chains will dominate the market.

However, based on our assessment of projects under development, we forecast a decreasing market share of the concession bidding in near future. Eventually, the bidding capacity will possibly be on its downturn after a steep growth and eventually it will probably be eliminated in China in the foreseeable future.



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