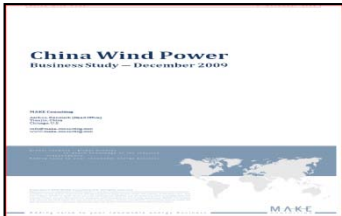


# Business Study

By MAKE Consulting

December 2009

## China Wind Power

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This 100 pages study provides a 360 degree analysis of the Chinese wind power market and addressing where this important market is heading in the next five years.

The Chinese wind power market has experienced triple-digit growth since its takeoff in 2006. It installed 6,335 MW in 2008 and increased its cumulative installed capacity from less than 200 MW in 2004 to more than 12 GW by the end of 2008, ranking fourth in the world.

The global economic crisis has only lightly impacted the Chinese wind power development, as project financing relies largely on national banks. However, severe grid constraints will likely decelerate the installation growth rate from 2010 and onwards. Wind power development in China has taken place mostly in regions with vast wind resources but low power demand, which has led to a mismatch between grid availability and installations. Technical and regulatory grid setbacks have become a major hindrance to the explosive market, and the development will dictate future growth scenarios.

The Chinese power market is controlled almost entirely by the government and state-owned enterprises, placing the industry in a complex regulatory environment. Over 90% of China's wind power plants have been developed under state-owned power producers. The top five owners of wind power in 2009 – Longyuan, Datang, Huadian, Huaneng, and CPIC – control the majority of the cumulative installed capacity. Private investors and foreign companies continue to experience adversity in penetrating the market due to demanding financing requirements and the project allocation process.

Although it is likely that the 70% domestic content requirement for WTGs will disappear, it has already catalyzed massive domestic and foreign investment into the wind power equipment manufacturing industry. In 2008, domestic WTG manufacturers accounted for the vast majority of the total installed capacity. Foreign and joint venture manufacturers have witnessed significant loss in market share, primarily due to higher prices. New entrants have intensified competition, and proliferation of production facilities has led to overcapacity in most segments of the supply chain. However, Chinese manufacturers still face a lag in technology. Combined with the fact that the government has taken action to curb the entrance of new WTG manufacturers, the industry will experience a period of consolidation in the short to medium term.

Strong support from the central government for renewable energy and ambitious national wind power targets will continue to drive short- and long-term market growth. Mandated renewable energy standards have pushed China past the announced wind power target of 10 GW by 2010. The 2020 target of 30 GW will likely be revised to 150 GW, which will be bolstered by the 10 GW wind base initiatives. These wind bases will direct investment of both wind power plants and manufacturing facilities to strategic regions with quality wind resources, strengthening the cluster effect.

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Research notes	Research note	Research note	Research note	Research note
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