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China Energy Weekly

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China Energy Weekly
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October 27 – November 2, 2012
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Power Republic

THE semi-official China Electricity Council on Tuesday slashed its forecast for China power consumption growth in 2012 to five percent from the six to seven percent growth it predicted in July, as the economic slowdown crimps demand for electricity. China posted GDP growth of 7.4 percent in Q3, the slowest pace of expansion in eight quarters.

Analysts have been saying for some time that power consumption and output targets for this year are unlikely to be met.

On a more positive note, the CEC said power consumption would pick up in Q4, growing four to six percent year-on-year as stronger operating rates at factories on the back of a recovering economy push up demand. Official and private factory surveys for October show an improvement in manufacturing activity last month.

The pace of recovery is still slow, however. Critical to the question of growth is stimulus measures. Regional infrastructure investment accelerated in the second half due to easing monetary policy and additional issuance of corporate debt, according to China International Capital Corp., but the market is undecided on how much more spending there will be.

Credit Suisse does not anticipate additional large-scale stimuli and said in a note to clients: "We do not expect a strong growth rebound in the coming quarters. Re-engaging private investment is crucial for China to get back on the right track for growth, in our view, but structural reforms such as corporate tax cuts and the opening of the service sector to private capital will take time and require strong political will." China's power handover could delay big measures until March.

Turning to the markets, China's oil and gas majors have now all delivered Q3 results. PetroChina Ltd. said net profit dropped to RMB 24.9 billion ($3.99 billion) due to lower crude oil prices and losses from its natural gas import business.

Sinopec Corp posted a 9.4 percent fall after its petrochemical business swung to a loss due to the weakening Chinese economy.

The CSI Energy Index declined 2.81 percent in October, according to CapitalVue, a leading provider of China financial data.

China's benchmark CSI 300 Index fell 1.67 percent over the same period. ■

POLICY & REGULATION

China gives small PV plants free access to power grid

CHINA is stepping up policy support for the ailing solar industry, with the announcement that State Grid Corp. of China (SGCC) will allow free access for some small-scale distributed solar power generators to its power grid network.

China's largest state-owned utility said that starting Nov. 1 it will waive connection fees for distributed photovoltaic (PV) electricity producers with installed capacity below six megawatts and provide technological assistance.

The cost for one network access point is currently RMB 420,000 ($67,100), the official English-language *China Daily* reported citing Wang Sicheng, an energy researcher with the state-run Energy Research Institute.

This is "a very positive sign that the Chinese solar market is set to grow going forward," Rory Macpherson, director of investor relations at New York Stock Exchange-listed Suntech Power Holdings Co. Ltd., told *Interfax* on Wednesday.

SGCC's announcement comes after a series of reports by domestic media criticising the overly bureaucratic procedures that small PV power producers have to go through when trying to connect to the company's grid network.

State-run China Central Television blamed high connection fees for hampering the industry's development and discouraging investment.

Distributed power generators are located close to end consumers, providing power within a limited geographical radius. Allowing them access to national grid networks, which SGCC controls in 26 of China's 31 administrative regions, could help boost their profitability.

Some small-scale distributed solar plants will gain access to SGCC's power grid. (Flickr)

Xinhua, the country's official news agency, reported after SGCC's announcement that China would deploy up to RMB 70 billion ($11.21 billion) over the next few years to support the solar power industry, the latest big spending plans to be made public in recent weeks.

In mid-September the National Energy Administration said in its *12th Five-Year Solar Industry Development Plan* that China would invest RMB 250 billion ($39.5 billion) to boost installed solar power

➤ 04

For more on policies and regulations, go to www.interfax.cn/news/energy/policy

UNCONVENTIONAL ENERGY

Impact of China's second shale gas auction questioned

DESPITE attracting 151 bids from 83 participants, China's second shale gas auction is unlikely to spark shale development to the extent envisioned by government planners, Wood Mackenzie's principal analyst for Asia Pacific gas research told delegates at the Gas Asia Summit in Singapore.

"We're skeptical about the second shale auction kick starting [shale gas] development in China," Gavin Thompson said. "Near-term challenges mean the ramp up will more likely be gradual."

Thompson also highlighted the questionable prospects of the twenty blocks offered in the second round of auctions, held October 25, remarking that a number of industry players in China consulted by Woodmac had been left unimpressed.

Alex An, a North East Asia upstream consultant with Woodmac, told *Interfax* on the sidelines of the summit that the majority of the blocks offered were outside of the most prospective areas for shale gas, and that almost all of the exploration rights for these prime areas were in the hands of China's three majors.

China presently produces no commercial volumes of shale gas, but the Ministry of Land and Resource (MLR) estimates that the country holds 25.08 trillion cubic meters (tcm) of shale gas resources. The central government has set ambitious production targets of 6.5 billion cubic meters per year (bcm/y) by 2015 and 60-100 bcm/y by 2020 to tap the country's vast potential and replicate the U.S. shale gas boom.

However, unlike the evolution of the shale gas industry in the U.S., government planners have maintained a stranglehold on the sector's development in China.

The first auction in June 2011 was only open to six state-owned companies, and involved just four blocks. The second auction saw twenty blocks offered and was open to private firms and Chinese-controlled foreign joint ventures.

Woodmac believes the expected levels of activity in the sector over the short term are unlikely to generate the output projected by the MLR between 2015 and 2020.

"Drilling activity is critical. A basin like Sichuan needs four to five thousand wells to realise its potential," Thompson said, noting that only thirty wells have been drilled in the basin to date.

The MLR successfully tendered 19 of 20 shale gas blocs last week. (Interfax)

Woodmac forecasts shale gas output to gradually climb to 15 bcm/y by 2020, but believes China will overcome its technical and regulatory hurdles beyond the next decade and ramp up production to 140 bcm/y by 2030.

Key among the obstacles to catalysing unconventional gas development in China is gas pricing reform, highlighted in a report published by the International Energy Agency (IEA) in September.

Maria van der Hoeven, executive director of the IEA, told *Interfax* during a press briefing at Singapore International Energy Week (SIEW) conference earlier in the week that it was too early to judge pilot reforms underway in Guangdong Province and the Guangxi Zhuang Autonomous Region, but Woodmac maintains that there has been some tangible progress in the two southern areas and with localized reforms in Shanghai.

"Proposed gas price reforms would make future shale gas prices very competitive in China," Thompson said, suggesting that the pricing reforms would likely drive investment in the shale sector beyond 2020.

"China can afford to pay higher prices for gas, and this is becoming a reality," he added. ■

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capacity to 20 gigawatts (GW) by 2015 from 0.86 GW in 2010.

The ambitious scale of these investment plans has left some analysts to question where the money will come from to pay for them.

China is building up the domestic market in an effort to insulate Chinese PV enterprises from a massive slump in demand from Europe and the United States and excess production capacity that has led to a supply glut and eviscerated already thin profit margins. Some companies have had to get bailouts from local governments while others have trimmed output and shed jobs.

U.S. investment bank Maxim Group in August estimated that the top 10 Chinese solar firms have amassed combined debt of $17.5 billion.

Exacerbating the outlook for the industry are trade frictions with major export markets.
On Oct. 10 the U.S. commerce department confirmed high anti-dumping duties of 18.32 percent to 249.96 percent on Chinese exports of solar panels.
The European Union, which accounted for 60 percent of China's total solar panel exports in 2011, is also considering similar duties, but will also include components for solar panels.

"The old business model in which China produces and the West installs [PV products] is over," Li Lei, an independent renewable energy industry analyst, told *Interfax*.
"The only way for China to absorb its huge PV products production capacity is to expand domestic sales."

"Fortunately, China is a huge market with exploitable solar resources and in the long-run domestic sales will grow steadily and replace some exports as manufacturing efficiency improves and prices come down," said Li.

What also needs to come down is the cost of solar-generated electricity, which at RMB 1 ($0.16) per kilowatt hour is the most expensive energy source in China and two to four times costlier than coal, the primary fuel used in power generation. ■

For more on policies and regulations, go to www.interfax.cn/news/energy/policy

COAL

China targets closure of 600 coal mines in 2012

CHINA will close at least 600 coal mines this year, the State Administration of Coal Mine Safety (SACMS) said late last week, as the country continues efforts to improve one of the world's worst mine safety records.

The administration did not specify which mines it would close but such measures typically target small-scale facilities with annual production below 300,000 tons, which account for two-thirds of the 12,000 mines currently in operation across China.

Although small mines only account for one-third of national coal output they have a miner fatality rate double the national average and more than three times higher than large state-owned coal mines, partly due to low rates of mechanisation, said the SACMS.

Government officials worry mine accidents have the ability to undermine confidence in authorities' ability to implement work safety standards, an increasingly important priority among a new generation of workers that have an understanding of labour laws.

In the past decade there have been several campaigns at national and local levels to improve standards, leading to some success. Deaths at coal mines fell below 2,000 in 2011 for the first time since such record were kept, down almost two-thirds from the 2006 level, even as annual coal output surged 51 percent over the same period from 2.33 billion tons to 3.52 billion tons, according to the SACMS.

SACMS head Fu Jianhua last week said 1,146 people died in 650 mining accidents in the first nine months of the year, down 27.7 percent from the corresponding period a year earlier, according to a statement on the administration's website. Deaths caused by "illegal operations" accounted for 46.5 percent of the total number, noted Fu.

Shuttering small mines to improve efficiency and reduce environmental damage "will serve to further strengthen the hand of large state-owned firms in the sector and could impact on output and prices," coal analyst Qi Yingying told *Interfax*. China's largest coal groups employ tens of thousands of people and have operations extending to transportation and power generation.

Beijing is promoting industry consolidation and the formation of giant coal groups, while efforts are underway to gradually shift production to more remote northern and western regions where larger coal resources can be tapped through surface mining, improving safety. However, analysts say all this will take time, leaving China dependent on thousands of small coal mines to ensure supplies of the fuel, a key ingredient in power generation.

China's *12th Five-Year Energy Development Plan (2011-2015)* released last week by the State Council calls for a reduction in coal consumption and greater use of renewable energy, but coal will continue to dominate the country's energy profile for now.

The *12th Five-Year Coal Industry Development Plan* targets annual coal production of 4.1 billion tons by 2015, an increase of 16.4 percent from 2011. ■

TRANSPORTATION

NDRC backs China's NGV development

CHINA'S natural gas-powered vehicle (NGV) industry has won strong backing from the central government, after the National Development and Reform Commission (NDRC) said on Wednesday it would step up use of the cleaner-burning fuel in the transportation sector.

Flexible-fuel vehicles and NGVs, particularly those running on liquefied natural gas (LNG), will be given preferential access to gas, according to a document published on the website of the NDRC, entitled *Natural Gas Utilization Policy.* The type of NGVs covered includes buses, taxis and tanker trucks.

In addition, local governments should support the construction of natural gas filling stations, including LNG, the document said.

Beijing is keen to see more vehicles run on cleaner-burning gas instead of gasoline and diesel. The NDRC's policy push will stimulate development of the already fast-growing domestic NGV industry, although experts at an industry event in Chongqing Municipality this week were divided on the potential for growth.

China is expected to have 2.5 million NGVs by 2015, consuming 15 billion cubic meters per year (bcm/y) of gas, said Zou Bowen, deputy director of the China National NGV Engineering Research Center, at the China Natural Gas Auto Forum.

Speaking at the same event a day earlier, Yao Mingde, honorary director of the China Road Transport Association, predicted there would be 1.8 million NGVs consuming 12 bcm/y by 2015.

At a separate forum in Shanghai last week, Xie Dan, a China Petrochemical Corp. executive, told delegates that China had 1.74 million NGVs last year that consumed between 8 and 9 bcm in total.

Zou from the engineering research center also forecast that China's NGV count would reach seven million by 2020, with consumption hitting 42 bcm. That would be nearly 40 percent of the 106.5 bcm that China used in the first nine months of this year.

NGV growth will largely take place in central and eastern China, where pipeline networks are expanding and LNG utilization is growing, according to Zou. The number of LNG-fuelled vehicles will increase five-fold from 30,000 at present to 150,000 in 2015, he added.

Fuel supply to NGVs is unlikely to be an issue, as major energy producers are increasing both domestic production and imports of gas, said Yao from the transport association.

China's abundant deposits of shale gas and coalbed methane may also be a viable option for powering NGVs, Brenda Smith, a board member with the Asia Pacific Natural Gas Vehicles Association, told *Interfax* on the sidelines of the Chongqing event. Unconventional gas resources could be used to supply local NGVs, she said.

Experts, however, have previously warned that a lack of refueling infrastructure is hindering wider adoption of NGVs. Data from Zhuochuang Information, a Shandong Province-based consultancy, suggests China has added fewer than 40 LNG vehicular filling stations on average every year since the end of 2002. ■

VLCC project binds China-Venezuela oil ties

Working together to build large oil tankers is just one component of the burgeoning, if sometimes troubled, energy relationship between China and Venezuela

CHINA National Petroleum Corp. (CNPC), the country's second-largest oil importer, has received approval from the National Development and Reform Commission (NDRC) to build four Very Large Crude Carriers (VLCCs) with Petróleos de Venezuela S.A. (PDVSA).

CNPC and PDVSA will build two 320,000 deadweight ton (dwt) VLCCs through CV Shipping Pte. Ltd., a 50/50 joint venture they registered in Singapore in 2008, and have the option to build another two. The carriers will move heavy crude produced in Venezuela to China for refining.

Building vessels will help ensure the safe shipment of resources from overseas and transportation stability given the fluctuation in freight fees on the sport market, PetroChina Ltd., the Hong Kong and Shanghai Stock Exchange-listed unit of CNPC, said in a feasibility report.

No further details were provided by the NDRC. The average international price for a newbuild VLCC of 200,000-300,000 dwt in September was $94.1 million, according to a monthly report by Malaysian shipper Misc Berhad. Industry sources said a larger vessel could run $100-$125 million.

The vessels will likely be constructed at state-owned Bohai Shipbuilding Heavy Industry Co. Ltd. CV Shipping earlier this month confirmed a VLCC order with the Liaoning Province-based shipyard, according to SinoShipNews, an independent trade publication. Bohai Shipbuilding could not be reached for comment.

Under a separate agreement inked in 2010, CV Shipping ordered two 320,000 dwt VLCCs from the shipbuilder for PDVSA's own fleet. The first vessel, the Carabobo, was delivered in early September, according to a report on the Venezuelan oil company's website.

China anfd Venezuela will jointly build VLCCs. (BP)

Import Dependence

"China relies heavily on crude oil imports and CNPC's expansion into shipping will help strengthen energy security," Yang Hongwei, a senior researcher with the NDRC's energy institute, told *Interfax*.

The world's second-largest importer of crude, China is cited by the International Energy Agency as a main driver of global demand for oil over the next decade. Imports accounted for 56 percent of total oil demand last year, a figure government experts have said could rise to 65-66 percent before the end of the decade, making China even more dependent on foreign supplies.

Beijing's diplomacy-led global quest for natural resources is well documented, with domestic firms known for operating in territories seen as out of bounds by global oil majors. For all of China's efforts, however, most nations have kept major natural resource assets out of its reach.

Crude from Caracas

Venezuela is the big exception, luring in Chinese investment with the prospect of opening up huge deposits of extra heavy crude that are among the world's largest. "There simply is no other country anywhere that offers China entry into an oil patch of such spectacular size," said Tom O'Donnell, a Berlin-based petroleum consultant specialising in South America.

China has provided Venezuela with $49.5 billion worth of hard asset investments and loans as well as pledges for additional loans and investments since 2005, according to a September report on China's relations with OPEC by the Houston-based think tank James A. Baker III Institute for Public Policy.

CNPC will use the tankers to ship oil produced in Venezuela to China, according to the PDVSA website. China's imports from Venezuela, which has the world's largest proven oil reserves, topped 11.51 million tons last year, up 52.66 percent from 2010.

Shipments will end up at a 20 million ton a year refinery in Guangdong Province being built by a 60/40 joint venture between CNPC and PDVSA. Operations at the RMB 58.6 billion ($9.3 billion) facility are expected to start in 2014, producing gasoil, gasoline and jet fuel of Euro IV specifications, the Chinese company said in May.

CNPC is hoping the project will help expand its presence in the important Guangdong market, which is dominated by competitor Sinopec Group. Venezuela sees the refinery as an element of broader strategic plans to avoid selling oil via the open market should the country become the target of international trade sanctions, noted O'Donnell.

Shipments to China currently go via the Cape of Good Hope but in the future may cross the Pacific Ocean. Beijing and Caracas have expressed an interest in an oil pipeline being mulled by Colombia that would link Venezuela to the Pacific, shortening crude delivery times to Asia, an increasingly important market for South American commodities at a time of declining U.S. energy

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For more on crude oil and other products, go to www.interfax.cn/news/energy/oil

OIL PRODUCTS

Independent refinery to get pipeline boost

A major new crude oil pipeline in heavily industrialised Shandong Province is expected to come on-line at the end of this month, providing support for China's largest independent refinery by capacity.

The 446-kilometer pipeline will begin delivering Middle Eastern and Venezuelan crude from a port in Rizhao City to the 12 million ton a year Shandong Dongming Refinery in Heze City by the end of the month, Shandong-based oil industry analyst Wang Dong told *Interfax*. The project is the first oil pipeline in China to supply crude to an independent refinery.

Hong Kong, Shanghai and New York Stock Exchange-listed PetroChina Ltd. has a 90 percent equity stake in the project. Shandong Dongming Petrochemical Group Co. Ltd., the refinery's owner, controls the remaining 10 percent.

The RMB 2 billion ($320 million) project also included the construction of two oil storage tanks, in Rizhao and Heze, and five pumping stations between the two storage facilities, the provincial government said on its website.

PetroChina, a unit of China National Petroleum Corp., the country's second largest oil importer, will supply the crude to the pipeline, which has an annual capacity of 10 millions tons. Shandong Dongming Refinery will receive six million tons of crude per year.

"Dongming Refinery will be the largest beneficiary [from the pipeline] as it will see lower transportation costs and less oil loss, as well as a steadier supply of raw materials," said Wang. The analyst noting that the refinery currently receives crude supplies via truck and rail, which is more expensive.

PetroChina will take advantage of more regular throughput from the refinery to push deeper into the oil products market in Shandong, said a source from the company. PetroChina has been purchasing about 70 percent of the oil products coming out of the refinery in recent months, noted the source, who requested anonymity because he is not authorised to speak to the media.

The new pipeline will move oil westwards. (Interfax)

Analysts say China's "teapots", as independent refineries are known, have been forging closer ties with state-owned oil majors to improve their limited access to feedstock and to strengthen their position in the refining sector.

Raw materials are expensive because state economic planners do not allow teapots to import crude, while access to domestic stocks is restricted as oil is a key strategic resource. Fuel oil is commonly used as a substitute but costs have been rising after China hiked the consumption tax on fuel oil from RMB 0.1 ($0.016) to RMB 0.8 ($0.128) per litre in 2009.

Margins are squeezed by the high sulphur dioxide content of fuel oil, which pushes up refining costs, while domestic refiners have been losing money for the past two years because of soaring global crude prices.

Challenging financial conditions mean operating rates at teapots average 30-40 percent, compared to 80-90 percent at large state-owned refineries. Dongming Refinery, which saw annual capacity double to 12 million tons in October, has an operating rate of 60 percent, noted Wang.

Teapots account for approximately 20 percent of China's total refining throughput, so keeping them running is essential to maintaining national oil product supply.

China National Offshore Oil Corp. and Sinopec Group, the country's other main oil majors, are also taking stakes in independent refineries

Analysts said investment in teapots by state-owned energy giants would increase the likelihood of improved raw material supplies. ■

CONTINUED FROM PAGE 6

consumption and imports.

According to calculations offered by O'Donnell, the pipeline could reduce the number of tankers needed to ship Venezuelan crude to China by up to one-third.

Nevertheless, the grab for oil has not all been plain sailing, leaving Chinese oil executives deeply frustrated at the lack of progress, said O'Donnell. All CNPC has received so far is access to the already developed Petrosinovensa project and Junin 4 field, an "infrastructure black hole."

Fleet Expansion

Since 2004 Beijing has been encouraging the buildup of the national tanker fleet, and by extension domestic shipyards, setting a goal that 50 percent of the crude China imports should be shipped by Chinese-controlled tankers by 2015.

Heeding the call, domestic shipping lines have plunged in deep, becoming some of the biggest tanker owners in the world. CNPC will be the first Chinese oil firm to invest in its own ships while the country's other two majors are expected to resume plans delayed by the 2009 financial crisis to establish their tanker fleets.

State-owned shippers China Shipping Group, Dalian Ocean Shipping Co. and China Merchants Group have placed a $4.5 billion order for 50 supertankers, the 21st Century Business Herald, a respected semi-independent financial newspaper, reported at the beginning of October.

If true, the order would be further evidence of China's strategic buildup of tankers and throw a financial lifeline to government-backed shipyards. The country's nine biggest shipbuilders reported cumulative losses of RMB 8 billion ($1.28 billion) for the first half of the year. ■

POWER GENERATION

Huaneng to invest $300 mln to curb emissions

CHINA Huaneng Group, the country's largest power producer by installed capacity, will invest RMB 1.9 billion ($301 million) in energy-saving and emission-reduction projects in Jiangsu Province through 2015, a researcher with a unit of Huaneng told *Interfax*.

Huaneng Group plans to complete denitration renovation work at 16 generating units in 2013 and refurbish desulphurisation equipment at 10 units over the same period, Zhu Litong, a researcher with the subsidiary, Xi'an Thermal Power Research Institute Co. Ltd., said on the sidelines of an industry conference last week.

The investment covers fossil fuel-powered and clean en Huaneng Group is looking into adding decarburization equipment to the Jiangsu plants, which Zhu claimed would make it the first company in China to do so. ergy generating units, Zhu told *Interfax* at the 5th Energy Saving and Emission Reduction Expo in Shaanxi last week

Zhu said the company will target units with large nameplate capacity to achieve the best results. Approximately 40 percent of the company's generators in Jiangsu have installed capacity of 600 megawatts and above while 24 percent have capacity of one gigawatt.

Desulphurisation equipment, which scrubs emissions to reduce pollution, has been installed at all of Huaneng Group's Jiangsu plants, said Zhu. The equipment has an operating rate of over 98 percent, helping the company reduce annual sulfur dioxide emissions by more than 100,000 tons.

China plans to cap annual sulfur dioxide emissions from thermal power plants at eight million tons by 2015, a 16 percent decrease from 2010 levels.

Huaneng Group operates eight power plants in Jiangsu that have a combined installed capacity of 8.41 gigawatts (GW), accounting for 12 percent of the provincial total. The plants generated 49 terawatt hours of power last year, approximately 16.1 percent of total output.

The company plans to increase installed capacity in Jiangsu to more than 13 GW by 2015, with clean energy slated to represent 25 percent of the total, up five percentage points from 2011. Jiangsu is the second-biggest administrative region in China by GDP.

China missed its 2011 energy intensity reduction goal of 3.5 percent by about a third, and did not meet roughly half of its major targets for energy conservation and environmental protection last year, but Zhu insisted Huaneng Group has outperformed its industry peers in this area.

He said the Jiangsu-based thermal power plants consumed 302 grams of coal per kilowatt hour (KWh) of electricity generated in the first nine months, seven grams per KWh lower than the provincial average. China has set a target of cutting coal consumption per KWh of power produced by 2.4 percent to 325 grams by 2015 from 2011 levels. ■

POWER CONSUMPTION

CEC cuts China power consumption outlook for 2012

THE China Electricity Council (CEC) has cut its 2012 power consumption growth forecast for China to five percent, as the economic slowdown crimps demand for electricity.

Tuesday's announcement was lower than a previous prediction of six to seven percent annual growth the semi-official CEC made at the end of July.

Actual annual power consumption growth of five percent this year would be the lowest reading since 1999 and down substantially from the 11.7 percent rate in 2011.

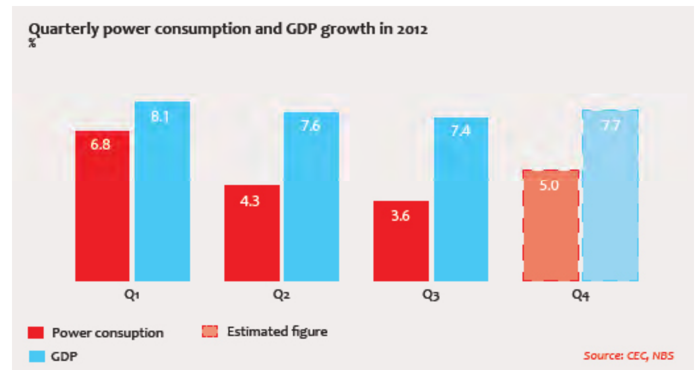
"The continued decline in economic expansion and power consumption in the third quarter (Q3) is the main reason why the CEC downgraded the outlook for 2012," Yang Hongwei, a senior researcher with the National Development and Reform Commission, told *Interfax* on Wednesday.

China posted GDP growth of 7.4 percent in Q3, the slowest pace of expansion in eight quarters.

In the first nine months of the year China consumed 3,690 terawatt hours of power, up 4.8 percent on an annual basis but 7.1 percentage points lower than the same period last year. Consumption in four key manufacturing sectors, including chemicals and metals smelting and pressing, inched up only one percent, dragging down overall growth in the period, said the CEC.

Electricity consumption in Q4 will grow four to six percent year-on-year, higher than in Q3 as stronger operating rates at factories on the back of a recovering economy push up demand, said the CEC.

"Economists are predicting year-on-year GDP growth of 7.7 percent in Q4," noted Yang. Economic stimulus measures should start taking effect in the last three months of the year and the central government is expected to take more action to support growth.



An anticipated surge in railway spending in Q4 – up to RMB 67.05 billion ($10.74 billion) needs to be deployed per month by year-end to meet the railway ministry's investment target for 2012 – will boost industrial sectors like construction materials and steel.

In early September the ministry upgraded its spending forecast for the year by 22 percent to RMB 496 billion ($79 billion).

Regional infrastructure investment also accelerated in the second half due to easing monetary policy and additional issuance of corporate debt, China International Capital Corp. said in a research note in September. ■

WIND POWER

Xinjiang installed wind power capacity inches up to 1.9 GW

WEST China's Xinjiang Uyghur Autonomous Region had installed wind power capacity of 1.9 gigawatts (GW) at the end of September and 4.37 GW of capacity under construction, as the region continues to develop renewable energy resources, local grid operator Xinjiang Electric Power Corp. (XEPC) said late last week.

Wind power farms with total capacity of 3.23 GW are also being planned, noted XEPC.

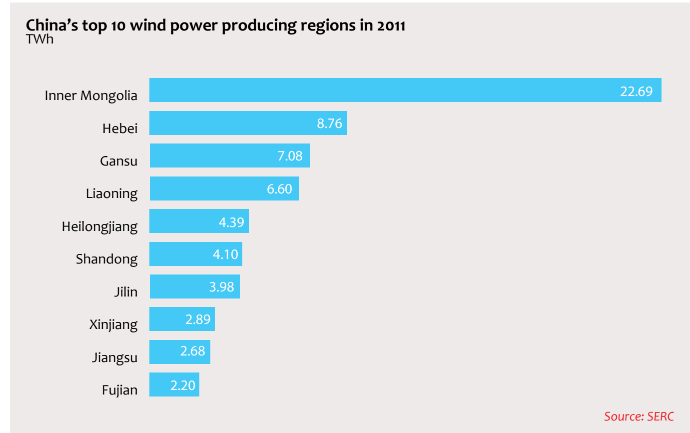
The company did not provide data for comparison, but State Grid Corp. of China, XEPC's parent, said early last week that Xinjiang's installed wind power capacity had increased 300 percent in the six years to the end of September.

Xinjiang produces more electricity than it consumes and the regional government has earmarked power exports as an economic growth driver, Hu Yiming, a wind power expert, told *Interfax*. The region has exploitable wind power resources of 890 GW, approximately one-fifth of China's total, according to XEPC.

Regional installed wind power capacity is expected to top nine GW by 2015, of which two-thirds will be used to generate electricity for export, according to XEPC.

Xinjiang aims to sell more than 20 terawatt hours of power to eastern China per year by 2015, the provincial government said in February.

Still, weak local power demand and bottlenecks in cross-regional power transmission capacity from Xinjiang mean regional wind power resources remain largely unexploited, noted Hu.



Xinjiang has been able to keep its wind power waste ratio at approximately two percent, according to XEPC, a substantial improvement on major wind power bases such as Gansu and Jinlin provinces where the ratio was 16 percent last year. The region is considered a major potential renewable energy base. ■

WIND POWER

International orders boost Goldwind Q3 results

SHENZHEN and Hong Kong Stock Exchange-listed Xinjiang Goldwind Science & Technology Co. Ltd. reported net profit of RMB 48.49 million ($7.7 million) for the first nine months of the year, as international orders boosted sales.

Goldwind, the largest manufacturer of wind turbines in China, said gross profit over the period rose 14.9 percent year-on-year to RMB 887.6 million ($141 million).

The company's decision to increase its exposure to international markets has paid off, Goldwind said in its third quarter (Q3) financial report released Oct. 27. Ma Jinru, vice president of Goldwind, said in May that the company would strengthen its global strategy.

Domestic orders have lagged this year due to overcapacity but international markets offer growth potential, Guotai Junan Securities said in an earlier industry research note.

In addition to the United States and Australia, Goldwind has also been developing new markets in Africa, South America and Asia and now has sales in more than 10 countries. Overseas sales revenue topped RMB 1.2 billion ($190 million) in 2011, according to the company's unaudited Q3 results. The company made no mention of its European operations, or how sales have been affected by the protracted economic malaise in the EU.

The company did however report that it received international orders for 372 megawatts (MW) of capacity by the end of September, up 68 percent from 221 MW in the first half (H1) of the year.

China is the world's largest wind power market by installed capacity; however, onshore projects have suffered due to technological obstacles.

Goldwind sees low-speed turbines as a new growth sector. (Kovik SXC)

The government is hoping to speed up such projects, setting onshore installed wind power capacity targets of five gigawatts by 2015 and 30 gigawatts by 2020 in the 12th Five-Year Plan for the Wind Power Industry (2011-2015).

Plans to develop low-wind speed farms through 2015 are also shaping the way Goldwind is targeting the domestic market. The firm plans to erect turbines specially designed for regions with wind speeds of between 5.5 and 6.5 meters per second, *Interfax* reported previously

Goldwind also said it was accelerating the development of low-speed and ultra-low wind speed series lines. ■

For more on coal and other products, go to www.interfax.cn/news/coal/

COAL

China coal imports decline in September

CHINESE coal imports in September declined 18.6 percent year-on-year and 8.86 percent month-on-month to 18.63 million tons, National Development and Reform Commission data released on Wednesday showed.

"The fall in imports in September occurred because the price gap between cheaper foreign coal and domestic supplies has narrowed sharply," Qi Yingying, a coal analyst, told *Interfax*, noting that weaker demand amid an economic slowdown also resulted in fewer purchases.

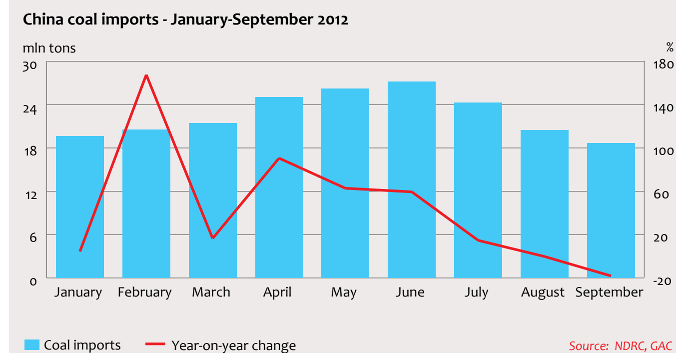
Coal imports have shown signs of slowing since the second half of the year and the trend might continue in the fourth quarter (Q4) due to fewer arbitrage opportunities as the price gap gets thinner, said Qi.

Weak coal demand and a glut of cheap imports in the first nine months weighed on the domestic market. Coal prices are lower by 30 percent on an annual basis and more than 20 percent since the start of the year.

Shanxi premium blend coal with heat value of 5,500 (kcal/kg) at Qinhuangdao Port last week was priced approximately RMB 635-645 ($100.61-$102.38) per ton, according to China Coal Transportation and Development Association data.

A weak economy caused a reduction in domestic coal production and consumption in the first three quarters, the China Coal Industry Association (CCIA) said last week.

China's coal output in the first nine months of 2012 grew 3.6 percent year-on-year to 2.88 billion tons while coal consumption edged up 2.8 percent over the same period to 3.02 billion tons, according to the CCIA.



Coal exporters in Australia, Indonesia and even the United States, which is eyeing shipments to Asia as the shale gas revolution crimps demand at home, shouldn't be too concerned with the September data: the long term trend points to higher consumption of coal mined abroad.

Coal imports in the first nine months of the year topped 203 million tons, up 36.3 percent on an annual basis, according to China customs data, and analysts predict continued growth in the coming years.

China surpassed Japan as the world's largest coal importer in 2011. ■

Coal prices

Coal prices remain flat at Qinhuangdao Port

Coal prices remained flat at Qinhuangdao Port, China's largest coal trans-shipment port, from Oct. 26 to Nov. 2, according to statistics released by the China Coal Transportation and Development Association (CCTDA) on Friday.

Seasonal factors, namely the uptick of coal consumption for heating as winter approaches, have supported prices, CCTDA coal expert Qu Juan said in a research note accompanying the data.

Figures released by the China Coal Industry Association (CCIA) last week show that the slowing national economy has weakened domestic coal production and consumption over the first three quarters of the year.

China produced 2.88 billion tons of coal from January to September, a 3.6 percent annual rise, while coal consumption has edged up 2.8 percent year-on-year to 3.02 billion tons over the same period, according to the CCIA. As of Oct. 30, coal stockpiles at Qinhuangdao Port stood at 5.60 million tons, up approximately 240,000 tons from last week.

Coal prices at Qinhuangdao Port, Oct. 26 - Nov. 2, 2012

Coal type	Heat value , Kcal/KG	FOB price on Oct. 26, RMB/ton	FOB price on Nov. 2, RMB/ton
Datong premium blend	5,800	695–705 ($109.62–$111.20)	695–705 ($109.62–$111.20)
Shanxi premium blend	5,500	635–645 ($100.79–$102.38)	635–645 ($100.79–$102.38)
Shanxi blend	5,000	555–565 ($86.10–$89.68)	560–570($88.89–$90.48)
General blend	4,500	455–465 ($72.22–$73.81)	460–470 ($73.02–$74.60)

Note: FOB = free on board. Source: CCTDA.

Asian Events & Conferences

Africa Infrastructure Forum (AIF:2012)

October 31 – November 2, 2012
Kowleen Shangri-La, Hong Kong

AIF:2012 will focus on the infrastructure projects aiding resource optimisation for major power users such as mining, minerals and the energy sector. Taking place at the breathtaking Kowloon Shangri-La Hotel, AIF: 2012 boasts the perfect setting for networking receptions, private meetings and first-class entertaining.

Website:
http://www.energynet.co.uk/aif/AIF_Index.html

Global Unconventional Gas Summit 2012

November 6-8, 2012
China World Summit Wing, Beijing

Global Unconventional Gas Summit 2012 is the premier international summit and workshop designed to accelerate the natural gas potential from emerging unconventional resources. 'Realizing China's Unconventional Gas Potential' is at the heart of the discussion. We will examine in-depth the developments of the last year in a global context as well as within China.

Website:http://www.gug2012.com
Contact:
lynneroberjot@dmgevents.com
Tel: +44 203 615 2888

Subsea Vessels 2012

November 20-23, 2012
Hilton Hotel, Singapore

The only such event of its kind, Subsea Vessels 2012 showcases commercial opportunities and technology trends against the backdrop of how the market is changing as field developments and market needs evolve.

Website: http://www.subseavesselsconference.com
Contact:
evette.goh@ibcasia.com.sg
Tel: +65 6508 2465 / 6508 2401
Fax: +65 6508 2408

13th World LNG Summit and Awards Gala Dinner

November 27-30, 2012
Barcelona, Spain

The summit will bring together 500 of the most senior LNG professionals from all over the globe to meet and do deals over four days in a prestigious yet relaxed environment. With its unrivalled premium networking activities, packed interactive four-day program of lively debate and discussion and black tie award gala dinner, this is the must attend event for the industry.

Website: http://world.cwclng.com/
Contact:
rjanmahomed@thecwcgroup.com
Tel:+44 20 7978 0018

Myanmar Power Summit

January 28-31, 2013,
Yangon, Myanmar

Myanmar Power Summit is the platform for key officials from the Ministry of Electric Power, Ministry of Energy, Directorate of Investment and Company Administration (DICA), Global Development Institutions such as ADB & IFC, as well as Local and International Experts to gather to present and discuss on the latest insights on new power generation project opportunities and Myanmar's development plans to encourage investment.

Website: http://www.cmtevents.com/main.aspx?ev=130107&pu=217918
Contact:
miach@cdmc.org.cn.
Tel: +86 021 68407631
Ext: 8124

4th Unconventional Hydrocarbons Summit 2012

November 29-30, 2012
Beijing, China

The 4th Annual Unconventional Hydrocarbons Summit provides a fantastic opportunity to learn about the latest market trends and share experiences with key decision makers from IOCs, NOCs, consultancies, equipment and technology suppliers and many more related enterprises.

Website:http://www.cdmc.org.cn/4uhs2012/
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Ext: 8124