

## **Cloudy outlook for China's solar industry**

AFP, 9 February 2007 - Solar power has the potential to be a growth industry in China but the nation's government does not seem keen on providing the support the sector needs, according to observers.

"Manufacturers are expanding their capacity, but I don't see a major drive to install solar power domestically," said Wang Xing, a senior program officer at the Energy Foundation's China Sustainable Energy Program.

"Right now there is not a very strong incentive program for solar power," he said.

The central government wants renewable energy sources to provide 10 percent of all energy consumed by the year 2010, up from about seven percent now. Its aim is for the figure to rise to 16 percent by 2020.

An industry source said hydro-electric capacity would likely be the top priority, followed by wind and solar power.

But experts said it was one thing to set lofty targets, and quite another to implement them, with few signs of a major government-funded push.

This was a problem, they said, because China's domestic solar power sector would continue to need government help in the near term since high installation costs and low returns deter entrants to the market.

Instead, most domestic manufacturers are gearing production towards the export market while looking to tap public investment in projects such as electrification programs in the countryside.

"It's a rural market ... at the moment," said William Wallace, a senior technical advisor at the project management office for the United Nations Development Program and Global Environmental Facility.

Industry analysts said that one of solar energy's largest obstacles was an inability to link small scale power production units to a larger power grid.

"Currently, solar energy is only combined with power generation grid networks on a trial basis in first-tier cities like Beijing and Shenzhen," said Gao Hu, a researcher with the state-controlled Energy Research Institute.

Grid connection provides a substantial incentive for alternative energies such as solar, wind, and small-scale hydro-electric plants by allowing excess capacity to be sold back to the power grid.

However, all is not doom and gloom. Industry specialists, who asked to remain anonymous, said that domestic consumption of solar power should improve in the next few years.

One source said rumors are circulating that the central government will introduce policies this year to promote the domestic installation of alternative energies such as solar power.

The southern boomtown of Shenzhen has set an energy-saving example for power-hungry Chinese cities by mandating the use of solar power in new housing construction, state media reported last year.

The law, the first of its kind in China, will require all new residential buildings with fewer than 12 storeys to install solar powered water heating systems.

Taller buildings have been exempted due to technological limitations that cannot guarantee 24-hour hot water supply, it said.

Firms are also boosting their investments.

For instance, Nasdaq-listed Solarfun Power Holdings plans to drastically increase this year and next its capacity of solar cell and solar modules, basically assemblies of several interconnected solar cells.

Solarfun had annual production capacity in 2006 of 120 megawatts of solar cells and 60 megawatts of solar modules, said a research report from Morgan Stanley.

The company plans to boost its capacity for cells and modules to 240 and 180 megawatt by the end of this year with further increases to 360 and 300 megawatt in 2008, the report said.

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