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Solar power's bright future in China

By Ted Plafker

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BEIJING: China gets nearly 70 percent of its energy from coal, according to the National Bureau of Statistics, and more than 23 percent from oil and natural gas. Nuclear and renewables furnish 7 percent: somewhere in there is solar.

Yet this year the Hurun Report, a ranking of the 1,000 wealthiest individuals in China, released Oct. 7, included 22 solar energy entrepreneurs, up from nine last year. Two made it into the top 10.

With personal wealth pegged at \$4 billion, Peng Xiaofeng, chief executive of LDK Solar, came in fourth place. Shi Zhengrong, the founder of Suntech Power, was ranked seventh.

These fortunes were built on exports. China ranks second to Japan as a global supplier of photovoltaic cells, and may have already taken the top spot. Producers hope soon to be selling in China too.

China "will become the world's biggest market in five to 10 years," said Charlie Lin, an executive in Beijing with the photovoltaic division of DuPont. With manufacturing facilities in three different provinces, the division exports 95 percent of its Chinese production, much of it to Spain.

Against a background of soaring power consumption, horrendous pollution and deep energy security concerns, the potential for solar in China is "huge," said Frank Haugwitz, renewable energy manager with the European Union delegation in Beijing.

"If it were to cover 10 percent of the Gobi Desert, China could have unlimited energy forever."

But China is likely to make significant use of solar power only when its unit cost draws at least close to the lower prices of power derived from burning low-cost and dirty coal. For now it remains vastly more expensive and therefore, according to Haugwitz, understandably hard to sell. "From the government's perspective, it is difficult to politically justify why the public should pay 10 to 12 times more for electricity generated from photovoltaic compared to electricity generated from coal," he said. The Chinese government passed a renewable energy law in 2006 and set a target of raising the share of renewables in the nation's energy mix to 15 percent by 2020. But officials have kept things vague when it comes to the specific role of solar power and critics say the law neither grants subsidies for renewables nor allows power providers to pass their higher costs on to consumers. Until that changes, China's solar windfall will continue to come from equipment sales. And according to Lin, at DuPont, China will long continue to enjoy its advantage over high-wage Japan in the labor-intensive business of cell manufacturing. But according to Haugwitz, inexpensive labor is not China's only competitive advantage. Among the hundreds of Chinese photovoltaic equipment manufacturers, he said, many are well-managed companies that have caught up to Western quality standards, learned to innovate, and mastered all but a few of the most technically challenging processes. "It is just a matter of time before China covers the entire chain," Haugwitz said.

Correction:

Notes:

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