

Big solar power plant planned for northwest China

LOS ANGELES (Reuters) - Two Chinese companies on Friday announced plans to build a solar power plant in northwestern China that could one day be the largest photovoltaic solar project in the world. The news helped spur a rally in shares of solar power companies that was also underpinned by higher oil prices and a strong rise the broader market.

China Technology Development Group Corp and privately held Qinghai New Energy Group will begin building a 30 megawatt solar power station in China's Qaidam Basin this year with an initial investment of \$150 million, they said in a joint statement. The project, which will combine thin-film and traditional silicon-based technologies that turn the sun's rays into electricity, ultimately will produce 1 gigawatt of power, the companies said, without giving a timeframe.

According to Raymond James analyst Pavel Molchanov, the largest photovoltaic solar project announced to date is the 550 MW deal between closely held thin-film company OptiSolar and California utility PG&E Corp. "The initial phase of the project is ... itself one of the largest solar farms ever announced in China," Molchanov wrote in a client note, adding that the Chinese government is beginning to offer more incentives for solar power projects.

"While PV demand has been historically driven by a small number of key countries, the demand profile should become more geographically diverse over time," Molchanov added. The news was a welcome reprieve for investors in solar power companies, which have been hard hit by a lack of funding for new projects, a drop in prices on solar panels as supplies have jumped and a dramatic drop in oil prices that has tempered investor appetite for renewable energy. China Technology Development shares rose 29 percent to \$2.61 on Nasdaq following the announcement. The rally extended across the industry, with U.S. solar equipment maker GT Solar International Inc up 24.6 percent at \$3.60, Chinese solar cell maker JA Solar Holdings Co Ltd up 12.6 percent at \$4.92, U.S. cell maker SunPower Corp up 12.8 percent at \$41.74, and China's Yingli Green Energy Holding Co Ltd up 13.1 percent at \$6.90. A jump in the price of crude oil to over \$46 a barrel and a 2 percent rise in Wall Street's main indexes also boosted solar stocks, Molchanov said in an interview.

The solar rally came despite a downward revision by Piper Jaffray analyst Jesse Pichel to five solar companies' earnings estimates. Pichel lowered his estimates on GT Solar, Canadian Solar Inc, Evergreen Solar Inc, LDK Solar Co Ltd and Renesola Ltd. "We cautiously assume Q1 will be the industry shipment trough," Pichel wrote, adding that solar "stocks could trade higher in the next 12 months depending on credit and the extent renewables play in the Obama recovery package."

(Reporting by Nichola Groom; editing by Richard Chang)

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