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## **China Could Be Top Wind Market In 3 Years**

BEIJING (Reuters) - China could become the world's top wind power market in three to five years but will grow faster if it reforms its subsidy system, executives of major wind turbine maker Vestas said on Friday. Chief Executive Ditlev Engel, in China to open the second and third in a series of seven plants due to come on line by the first quarter of 2008, said he was convinced Vestas could compete with cheaper local rivals on quality. But the company, the world's biggest wind turbine manufacturer, made its \$80 million investment with an eye on both Chinese and export markets. Turbines not sold in China could be integrated into Vestas' global supply chain, he added. "China will keep growing now, as a very important part of the wind power business, not just on the sales side but also on the sourcing," Engel said in a group interview. Asked when Beijing would become the top market, he said: "Within three to five years, we estimate." He declined to estimate the speed of demand growth, but pointed out that China, with its 1.3 billion population, had less installed wind power than Denmark, with fewer than 6 million people. But Engel also stressed that the European Union's push to get 20 percent of its energy from renewable sources by 2020, and growing support in the United States for greener power, meant China was not guaranteed the top place.

### **PRICING HURDLES**

Currently the world's number two consumer of oil and top producer of coal, Beijing is keen to boost the amount of energy it gets from renewable sources to clean its skies and improve energy security. But it has chosen to subsidize wind power through a bidding system that analysts and industry figures say pushes prices too low to fuel the rapid development China could enjoy. The current system asks firms to submit bids stating how much they would charge for wind power from potential sites. Instead many would like to see a feed-in tariff system, which guarantees wind farms a fixed premium above regular prices. "It is an issue we are also pushing whenever we have the chance of discussing it with authorities," Vestas' China Managing Director Lars Andersen said. "We think one way to create a very sustainable industry is to have a feed-in tariff system," he said, adding that some provinces were already looking at changing the system. A lack of roads and aging or inadequate grid networks also hamper development in some areas with good wind power potential. But the industry is still booming. Most analysts think Beijing's target of 30 gigawatts (GW) of installed capacity by 2020 is too modest, as China is already nearing its 2010 goal. Chinese firms have been piling into the sector, with around 30 companies risking a glut of turbines and the potential for price wars before an expected consolidation. But Vestas says experience gives it a competitive edge. "The most important issue for our clients over a 20-year period, which is the lifetime of the turbine, is reliability," Engel said. "There are many firms in China trying to get involved in the business but our experience from around the world is that it is not as easy as it looks," he added.

The Jutland based firm has plants around the world, including in Germany, India, Spain, Australia and China, and 99.9 percent of its revenue originates outside Denmark, Engel said. It is aiming for full-year sales of about 4.5 billion euros (\$6.35 billion), and an operating margin of 7 to 9 percent.

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