

China To Set Price for Wind Power

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China plans to set a price for energy produced from wind power projects, according to an announcement made by the government's National Development and Reform Commission (NDRC).

This is a major development for the Chinese market which has up to now awarded wind projects through an open bidding process--resulting in fierce competition and uneconomical projects.

According to the NDRC, there will be four different pricing regions, ranging between RMB 0.51 - 0.61/kWh (US\$0.075 - \$0.089/kWh). The price is a substantial premium to wholesale electricity prices of about RMB 0.35 /kWh.

The pricing structure is scheduled to start August 1, 2009.

Details are scarce at this point, according to Scott McCollister, an analyst with Ardour Capital. However, he said the newly introduced pricing structure will play a significant role in the country meeting its renewable energy targets.

China is planning to increase its 2020 target of installed wind capacity to 100 -150 gigawatts (GW).

"We believe this new pricing structure will result in a fair competitive market giving Western producers greater opportunities to compete in China," McCollister said via e-mail.

Turbine producers who could benefit include Vestas (VWS.CO), Gamesa (GAM.MC), Nordex (NDX1.F) and Repower (RPW.F)--all of which have established manufacturing facilities in China.

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