

[Press Release]



The Wind Pricing Policy in China is yet to be improved

(Beijing, 26 October 2006) The Chinese Renewable Energy Industries Association (CREIA), Greenpeace and the Global Wind Energy Council (GWEC) launched “A Study on the Pricing Policy of Wind Power in China” at the Great Wall Renewable Energy Forum today. The report concludes that the Chinese wind pricing policy needs to be improved.

China has recently made great strides in developing wind power. By the end of 2005, 61 wind farms had been built and 1,864 grid-connected wind turbine generators installed. The total installed capacity had reached 1,260MW, making it the seventh largest market in the world and the second largest in Asia. In 2005, the Chinese government modified its wind power development goal, raising it from 20,000 MW to 30,000 MW. However, the industry believes that this target could be exceeded with the right policy in place.

China’s Renewable Energy Law, which came into effect on 1 January 2006, provides a legal framework for the development of renewable energy in China, including the establishment of a purchase system for electricity generated from renewable sources. However, in January 2006, the National Development and Reform Commission released the implementing rules for the Renewable Energy Law, which continue the policy of deciding the grid-connected price for wind power projects through a public request for tenders. This policy has created unreasonable differences in the tariffs for wind power projects in regions with similar wind resources. The prices paid for wind power have not sent out clear signals and thus have had negative impacts on the investment initiatives of both foreign and private investors. Since the introduction of the implementing rules, none of the foreign or private developers have won state-organized wind concession tendering projects. This is deterring potential investors.

The report “A Study on the Pricing Policy of Wind Power in China” reviews the development of wind power and the pricing system in China. In particular, it looks at the existing wind concession projects and sums up the lessons learned. The report finds that the current tender system for wind pricing needs to be improved in order to build

a fair environment for the wind industry competition. Special attention should be paid to restricting the phenomenon of unreasonably low and unreasonably high wind tariffs, to facilitate the long-term development of the Chinese wind industry.

One of the leading authors of the report, Li Junfeng, Director of CRIEA says “wind power is a new industry and it still needs support. The current pricing policy does not match the goal of supporting wind development, and it has to be changed.” The Chairman of GWEC, Arthouros Zervos also points out, “the price volatility and uncertainty caused by the current regulation harms foreign and domestic private manufacturers and developers, who are discouraged by a pricing pressure they cannot sustain.”

The report looks at a number of international practices on wind power pricing policies and put forward 5 principles for the wind pricing policy in China: beneficial for long-term market development of wind power, promoting broader participation, facilitating localization of wind turbine manufacture, encouraging competitiveness of the wind power industry and beneficial for drawing in more investment. Based on these five principles, the report suggests to change the tender system into a feed-in-tariff system for wind power in China. The report also suggests that the prices should be adjusted in a timely fashion, but should always be higher than those for coal-fired power. Moreover, the report encourages self-regulation among wind power companies so that a fair competition environment could be built up.

As a major form of alternative energy, wind power has great potential. Currently, coal-fired power accounts for 75% of the Chinese electricity mix and causes huge environmental problems. The massive uptake of renewable energies, such as wind energy, has become the world trend and is exactly what China has to do. Steve Sawyer, the Climate and Energy Policy Advisor of Greenpeace International says, “China is faced with a great opportunity for developing wind power, but the development relies heavily on an enabling pricing system. It is hoped that this report could provide the basis for discussions on the improvement of the pricing policy for wind power in China.”

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