



China's Solar Dragon Year 2012

By Frank Haugwitz, Asia Europe Clean Energy Advisory | 13. Februar 2013

According to the lunar calendar the year of the dragon came to an end on February 9, 2013. A "dragon year" which only takes place every 12 years is characterized by numerous significant events usually initiating/causing profound fundamental changes for the society, economy, and politics. This general belief or superstition certainly holds true as far as the deployment of solar in China in the coming years is concerned, because 2012 was indeed very eventful, since nearly almost every month an official announcement was made, designed to shape the future course of China's solar development in the short, medium, and long term.

Mid February last year the Ministry for Industry and Information Technology (MIIT) took the lead in publishing its 12th Five-Year-Plan (FYP) 2011-2015 Roadmap for Solar Development emphasizing to intensify indigenous efforts related to technological advancements in order to ensure that its home-grown solar industry will manage to catch up and eventually exceed levels of its international peers. Interestingly the MIIT openly called for a consolidation of its domestic industry, thus implying the irrational expansion of massive production capacities is by far exceeding the global demand to date and coming years. Especially the latter was highlighted in the "Report on the Work of the Government" on March 15, 2012, released by the State Council in the course of the 11th National People's Congress. Accordingly, the original version explicitly stipulated "to curb the blind expansion of the solar industry"; however upon discussions with legislators and political advisors this wording was amended "to prevent the blind expansion of the manufacturing capacity of solar energy facilities". The chairman of the Shanghai Social Sciences Association Mr. Qin Shaode was quoted "We should prevent the industry from over-expansion because many local governments blindly launch projects. [...] The amendment is more precise and could help to encourage a healthier development of the new energy industry".

Late April 2012, the Ministry of Finance (MOF), the Ministry of Housing and Urban-Rural Development (MOHURD), and the National Energy Administration (NEA) jointly announced that in total 1709 MW of so-called "Golden Sun" projects received official approval and have to be implemented by December 31, 2012. Along with announcing the results, project applicants were informed that they are entitled to a 21% reduced financial support of then RMB 5.5/W [retroactively reduced from RMB 7/W], because of a significant price reduction for components/systems experienced during January and April 2012.

Possibly triggered by the announcement of the ITC/USA to levy/impose import duties on Chinese solar panels on May 18, the Chinese Premier Wen Jiabao called for more solar installations on public buildings during a working meeting late May, thus making it one of the earliest official indications at the highest possible political level regarding the distributed generation of solar/PV applications.

June 30, 2012 was marked as the deadline for in total 692 MW of Golden Sun projects, approved in November 2011. However, by Dec 2012 MOF disclosed that 59 MW of the projects (equivalent of nearly 9%) were cancelled without providing an explanation.

Early August, China's NEA released its 12th FYP for Renewable Energy Development stipulating as well the official long-term target of 50 GW of solar installations (including 3 GW of CSP) by 2020. Roughly one month later the same administration announced the long awaited 12th FYP for Solar Development setting a target of 21 GW by 2015 (including 1 GW of CSP) requiring an estimated investment of approx. 30 bln

EURO. Unprecedented, this national solar target was increased twice from initially 5 GW (March 2011) to 10 GW (April 2011) to 15 GW (Dec 2011) to finally 21 GW in Sept. 2012. However, most recent indications made by various govt. officials suggest a possible further increase to 35 or even 40 GW by 2015, thus reflecting the growing political commitment throughout China's administration.

The release of China's 12th FYP for Solar Development followed relatively soon NEA's announcement to implement a program designed to facilitate 500 MW of distributed solar generation power per province, translating into 15 GW in total between 2013 and 2015. Supplementary implementation regulations were published by the State Grid Corp. (SGC) on October 26, effective from November 1st, 2012. Surprisingly, incurred fees for systems up to 6 MW for getting connected to the grid were waived. Prior to this announcement the fee for e.g. a 10 MW roof-top system in Jiangsu province could easily amount to EUR 500,000, thus considered prohibitively expensive by project developers.

October witnessed the release of a "White Paper on China's Energy Policy", the second of its kind published ever since 1991. The white paper clearly ranked clean and renewable energies as its second most important source of energy, after energy conservation, to be utilized in future.

The November highlight was the once-in-a-decade leadership transition, i.e. Xi Jinping and Li Keqiang were formally announced to replace the current Chinese President Hu Jintao and Chinese Premier Wen Jiabao during the upcoming NPC in March respectively. At this stage, it is too early to judge whether China's solar industry can expect the same level of attention of the two new leaders, since e.g. the Chinese Premier Wen Jiabao again chaired a working meeting at the State Council resulting in relatively comprehensive guidelines for China's solar industry development in late December.

Finally, right before the Roman calendar came to an end, the 2nd batch of the in 2012 approved, Golden Sun projects amounting to 2834 MW were disclosed, thus Golden Sun projects approved in 2012 totalled 4453 MW representing a 550% increase compared to 2011. Additionally, triggered by the introduction of a national FIT in July 2011, monthly tendered PV projects throughout 2012 made-up another 4785 MW. However, still not enough, adding another 220 MW of rooftop projects approved by MOHURD consequently last year witnessed a combined project pipeline of approx. 9548 MW. At this stage, according to preliminary estimations by various Chinese PV institutions approx. 3.5 to 4.5 GW were installed in 2012, constituting/representing an increase between 30-70% compared to 2011.

In retrospect, 2012 was a very good year for the solar dragon to take off in China. February 10th, 2013 will mark the beginning of the Year of the Snake, which is usually referred to the "little dragon year". According to the Chinese zodiac, decisions taken during 2012 will lay the groundwork for 2013, i.e. China is expected to become the largest market worldwide with an estimated installation of up to, if not more than 10 GW.

Frank Haugwitz's analysis will be highlighted during Solar Power-Gen 2013 in San Diego on Thursday, February 14th. The panel is entitled China: Unraveling the Mystery. [More information about the show is here.](#)

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