

# China Energy Policy Newsletter: September 2019

## 1. China energy transition updates

### China's first offshore wind tendering project complete in Shanghai

The Fengxian 400 MW offshore wind project, China's first offshore wind power tender, released tendering results for Phase I of 200 MW on 28 August 2019. Five power generation companies including Huaneng and Longyuan participated the tender. The lowest bidding price was RMB 0.65/kWh, RMB 0.15/kWh lower than the Feed-in Tariff cap. The evaluation standard placed 40% weight on price, 25% on developer expertise, 20% on the implementation plan, and 15% on advanced equipment. The Shanghai Electric Power Company was announced as the winner of the tender at a reported price of RMB 0.74/kWh, due to its larger unit capacity and higher expected operational hours.<sup>1</sup> In addition, the first national offshore wind power plant design standard will be effective after 1 October 2019.<sup>2</sup>

Bidder	Unit capacity	Bidding price including VAT	Dynamic installation cost	Full load hour	IRR
	MW	RMB/ kWh	RMB/kW	hr	%
Shanghai Electric Power Company and Shanghai Green Environmental Protection Energy Company	6.45	0.7388	16456.2	3085	7.81
Shenergy Company, Datang Corporation, China National Offshore Oil Corporation and Shanghai Electric	6	0.747	15273	2817.17	9.40
China Huaneng Group	6.25	0.75	15953	2976	9.27
China Longyuan Power Group Corporation	5.2	0.65	15780.13	3076	6.94
China General Nuclear Power Group	-	0.76	16947.08	2812	7.65

Source: Nengapp, August 2019

### First subsidy-free onshore wind project operational

On 31 July 2019, the first subsidy-free wind power demonstration project, the China National Nuclear Corporation (CNNC) 50 MW onshore wind power project, was energized in Gansu Province. The project is one of the 13 wind power demonstration projects approved by NEA in 2017. It consists of 25 wind turbines with an installed cost of RMB 5.7/W. The developer expects the plant to be profitable due to operational hours exceeding 3,000 hours (34% capacity factor).<sup>3</sup> Earlier in May 2019, NEA announced the first batch of subsidy-free wind power demonstration projects with total capacity of 4.51 GW. More wind power price parity projects will begin operation later this year.<sup>4</sup>

<sup>1</sup> “国内首个海上风电竞价项目得主出炉，这家企业以 0.73 元/度的价格中标,” Industrial Energy, 27 August 2019, accessed at [http://m.sohu.com/a/336785160\\_803358](http://m.sohu.com/a/336785160_803358).

<sup>2</sup> “首部海上风电场国家标准将于 10 月 1 日起实施,” State-owned Assets Supervision and Administration Commission of the State Council, 14 August 2019, accessed at [http://www.gov.cn/xinwen/2019-08/14/content\\_5421098.htm](http://www.gov.cn/xinwen/2019-08/14/content_5421098.htm).

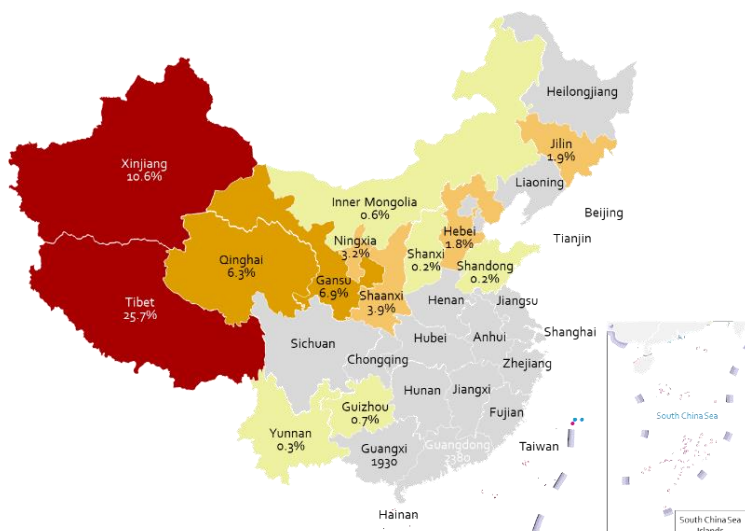
<sup>3</sup> “重磅：国内首个平价风电示范项目实现并网发电——中核汇能甘肃玉门黑崖子 50MW 平价风电示范项目并网发电,” Huineng Dongtai, 1 August 2019, accessed at <http://fengdian.ne21.com/show-1858.html>.

<sup>4</sup> “两部门关于公布 2019 年第一批风电、光伏发电平价上网项目的通知,” National Energy Administration and National Development and Reform Commission, 23 May 2019, accessed at [http://www.gov.cn/xinwen/2019-05/23/content\\_5393967.htm](http://www.gov.cn/xinwen/2019-05/23/content_5393967.htm).

## Solar curtailment continued to decline in 2019 H1

Solar curtailment continued to decline in 2019 H1, the curtailed PV output reached 2.61 TWh, a decline of 0.57 TWh compared to 2018 H1. The solar curtailment rate was 2.4%, a 1.2 percentage points decrease year-on-year. Western China—Tibet, Xinjiang, Gansu and Qinghai—continues to experience curtailment above 5%. Tibet had a dramatic decrease of curtailment rate from 52.3% in the same period in 2018 to 25.7% in 1H 2019. Xinjiang solar PV curtailment fell by 9 percentage points and Gansu by 4 percentage points. While Qinghai faced an increasing solar PV curtailment from 3.3% to 6.3%, implying more efforts is required.<sup>5</sup>

### 2019 H1 solar PV curtailment by province



Source: NEA, August 2019

## 2. Policy monitor

### China to improve tax preferences for small hydro and biomass

*Guidelines on preferential tax policies to support poverty alleviation, SAT*

The China State Administration of Taxation (SAT) published tax incentive policy guidelines for supporting poverty alleviation, including several items of tax preference for small hydro and biomass. 50-MW and below small hydro power plants in counties, villages, and towns can enjoy a 3% VAT rate, a 50% exemption from the previous standard. Agricultural and forestry waste power supply, heat supply and fuel production will receive 100% VAT refunds. In addition, biogas station with over 300 m<sup>3</sup>/day are exempt from corporate income tax in the first three years of operation and can enjoy a 50% exemption in the following three years.

2019/08/14

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c4577889/content.html>

<sup>5</sup> “2019 年上半年光伏发电建设运行情况,” National Energy Administration, 23 August 2019, accessed at [http://www.nea.gov.cn/2019-08/23/c\\_128330885.htm](http://www.nea.gov.cn/2019-08/23/c_128330885.htm).