

# Is China ready for 20GW in 2015?

So far in 2015 Chinese domestic PV deployment has outstripped last year's rates and a possible 20GW has been mooted for the year. This would set a benchmark for China's new five-year plan for solar development due to come into effect next year, writes Frank Haugwitz

During a national PV conference held late July in Beijing, representatives of various governmental entities conveyed the message that the deployment of 20GW in 2015 appears to be within in reach. The National Energy Administration (NEA) set a truly ambitious target of 17.8GW in mid-March, which itself, if successful, would translate into a 70% increase year on year from 2014's 10.6GW; 20GW would push that figure even higher to almost 100% year on year.

Indeed, in terms of quarterly installations, Q1 witnessed 5.04GW, which itself is more than all first quarters from 2012 through 2014 combined. Q2 also looked to be strong, with an estimated 2-3GW according to official NEA figures. Simple mathematics suggests China is just shy of needing 12-13GW to be deployed between July and December, which would be more than the entire installations in 2013 and 2014. Against this background, according to AECEA's market data, in the past years, demand in the third and fourth quarters has always been strongest, although not close to the anticipated 12-13GW.

However, 2015 differs from previous years in various aspects. One factor is that the former hard target policies were abolished, so there is no longer any cap for any type of installation, although authorities are encouraging the prioritisation of distributed PV. A monthly monitoring scheme has been introduced, allowing the government to have a clearer visibility in terms of actual implementation and clear deadlines developers are expected to meet or risk being suspended from applying for future projects. Other favourable signs include an improved financial environment, an approved project pipeline significantly exceeding this year's target and, last but not least, the anticipation that from 2016 onwards a reduced feed-in tariff will become effective. According to AECEA's monthly demand analysis, the first half of 2015 was the strongest ever so far and as of today doesn't show any sign of slowing down.

Despite strong momentum, China's

domestic market is not free from challenges. One concern, for example is that the once-promising "agro-PV" projects, in which solar modules are deployed on agricultural greenhouses or put on mounting structures within fish ponds, could significantly slow down. The former is related to food supply concerns, because apparently in too many cases arable land has been converted into a project site not only pushing farmers out of business, but also undermining the national government policy to maintain a high degree of domestic food supply. The latter is apparently because of safety issues encountered during maintenance and operation of such plants.

Another area for concern is the prevailing grid curtailment in various western and southern provinces. Depending on the location, the amount of power grid operators are unable to take is in the high double-digit range. Further challenges include the various administrative hurdles that appear to be causing a negative impact on developers' cash flow in particular. But given the overall picture, to date, AECEA is still cautiously optimistic and estimates 14-15GW (baseline), 16-17GW (optimistic) and 18GW (bullish) to be installed in 2015.

If China's downstream sector is rather bullish, so is the upstream sector. Output of polysilicon and modules increased year on year by 15% and 26% respectively in the first half of 2015. Estimates suggest that in 2015 approximately 40GW of modules could be produced, thanks to an increase of imported polysilicon and the commissioning of new poly plants. At the same time the average capacity factor of 40 module manufacturers slightly increased from 77 to 80% in 1H/15 (YoY). In order to meet surging global demand, established manufacturers have been outsourcing to local third parties instead of adding production capacities, though new capacity plans are now beginning to emerge. Hence, one reason why small- or medium-sized manufacturers stay in business. According to the China PV Industry



Credit: ReneSola

**China has made a strong start towards a possible 20GW of PV in 2015.**

Association, Q4 2015 could even witness a minimal increase in module ASPs, due to the anticipated global demand growth of above 20%.

During the above mentioned conference, a number of representatives stressed the point of maintaining and ensuring a high quality along the entire value chain, from materials through module manufacturing to installations. Accordingly, the national government plans to step up efforts to ensure that only high quality products go into export or are domestically deployed.

Overall, China is not only further cementing its position as the global manufacturer for solar PV, but also as the number-one investor for local installations at the same time. If China indeed manages to install 20GW this year, this achievement could possibly be used as a benchmark or reference for the drafting of the 13th five rear plan for solar development (2016-2020) scheduled to come into effect in March 2016.

*This is an edited version of a blog post that first appeared on [www.pv-tech.org](http://www.pv-tech.org)* ■

## Author

Frank Haugwitz is an expert on PV and renewable energy in China. Based in Beijing since 2002, he founded and directs Asia Europe Clean Energy (Solar) Advisory (AECEA), a consultancy working to help European and Asian companies understand Chinese renewable energy regulation and policy.