

GUANGDONG TO CLOSE COAL POWER PLANTS

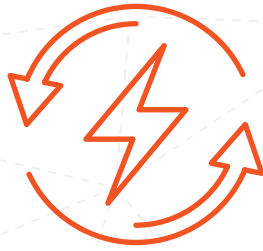
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GLOBAL X
by Mirae Asset



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CHINA CLEAN ENERGY ETF: Guangdong province's aggressive plan to shut down coal power plants

Guangdong province issued the draft guidelines of the 2018-2020 Three-year Action Plan for Winning the Blue-Sky War (the 2020 Action Plan) in July 2018; almost immediately following the policy initiatives by China Ministry of Ecology and Environment. Guangdong has called in the plan for a ban on new industrial capacity for a range of businesses in the Pearl River Delta Region. Industries targeted include coal-fired power generation, steel, petroleum, petrochemicals, glass, ceramics, and non-ferrous metal smelting.

Specifically in the area of coal power generation, the province will build no more new coal-fired power plant site from here on, and the 2020 Action Plan explicitly requires the following: the province is to strictly limit the production capacity in pollution-intensive and emission-intensive industries; to firmly close coal-fired power units that are at a capacity under 300MW and do not meet the environment, energy and/or safety standards; to press earlier retirements of long-serving coal-fired generating units. Guangdong Provincial Development and Reform Commission (GPDRC) needs to coordinate with State-owned Assets Supervision and Administration Commission (SASAC) of Guangdong province and Guangdong Energy Group to decommission a number of coal-fired power generating units at a total capacity of 3,155,000KW by the end of 2020, which accounts for 3.7% of all the current coal-fired power capacity in Guangdong in 2019. This may help reduce use of coal with a targeted cap of the percentage of coal in the primary energy consumption at 37%. According to the plan, the total consumption of coal needs to be below 165 million tons all over the province by 2020 and below 70 million tons in Pearl River Delta area or 10,250 kt less than the 2015 level that expects to be 3% of the total in Guangdong in 2020.



COAL POWER PLANT SHUT DOWN

	City	Coal power plant	Capacity ('0000KW)	Deadline
1	Guangzhou	Ruiming plant	2*12.5	2018
2		Guangzhou coal power plant-Genset 0-2	2.5+2*6	2018
3		Guangzhou coal power plant-Genset 3-4	2*6	2019
4		Wanglong coal power plant	2*10	N/A
5		Huangpu plant-Genset 5-6	2*30	N/A
6	Shantou	Shante-Genset 3	1*3.5	2018
7	Foshan	Changhai plant-Genset 1, 10, 11	5+2.5+2.5	2020
8	Shaoguan	Pinshi plant-Genset 3	1*12.5	2018
9	Dongguan	Shajiao A plant-Genset 1	1*21	2019
10		Shajiao B plant-Genset 1	1*35	2019
11		Shajiao A plant-Genset 2-3	2*21	2020
12		Shajiao B plant-Genset 2	1*35	2020
13	Yunfu	Yunfu A plant	2*12.5	2018

Source: Guangdong Government Website 2018-2020

COAL CONSUMPTION REDUCTION BY 2020

City	2015 Consumption Volume (kt)	2020 Consumption Targeted (kt)	Volume Reduction (kt)
Guangzhou	15,620	13,630	1,990
Shenzhen	3,380	3,100	280
Zhuhai	5,510	5,000	510
Foshan	11,240	10,580	660
Huizhou	6,260	5,200	1,060
Dongguan	18,040	15,050	2,990
Zhongshan	1,540	1,380	160
Jiangmen	12,010	10,300	1,710
Zhaoqing	6,390	5,500	890
Pearl River Delta Area Total	79,990	69,740	10,250

Source: Guangdong Government Website 2020

However, there will be upcoming challenges to achieve these goals. For example, about one-third of electricity demand in Guangdong is supplied through the West-East Electricity Transmission Project, where the electricity is produced in western provinces such as Guizhou and Yunnan, and transmitted to Guangdong for end users. Therefore, the closures of coal power plants will involve such considerations as power supply security and cost hikes. In the Action Plan, the province will accordingly increase the transmission to 40 million KW by 2020, which is almost twice that of the current level. Meanwhile, more clean energy projects will be introduced as well. Four more hydro power plants will be built in Shenzhen, Meizhou, Yangjiang and Qingyuan. The capacity for nuclear, wind and solar power expects to achieve 16 million KW, 6.5 million KW and 5 million KW by 2020, respectively.

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