

## China surprises with solar tariff announcement [EMAIL](#)

3 August 2011

China announced a national feed-in tariff (FIT) for solar power installations this week, possibly signaling a long-awaited boom in solar development in China.

Under the regime, solar power projects approved by 1 July or completed by the end of the year will be eligible for RMB 1.15 (\$0.18) per kilowatt hour and those approved after 1 July will receive RMB 1/kWh.

The timing of the National Development and Reform Commission (NDRC) announcement surprised many analysts. Li Junfeng, deputy director-general at the NDRC's Energy Research Institute, told *Environmental Finance* in May that a FIT would be introduced only when solar photovoltaic (PV) costs reached the level of China's wind tariffs (RMB 0.51-0.61), or even lower.

But Ma Lingjuan, deputy general manager of Beijing-based China Renewable Energy Industries Association (CREIA), said that pressure from local governments, PV manufacturers and developers, combined with declining European demand for Chinese-made panels, appear to have motivated NDRC to introduce a FIT ahead of schedule.

In addition, China's failure to achieve its 2010 renewable energy target, of sourcing 10% of energy from renewables, has convinced many in Beijing that rapidly scaling-up the solar sector is necessary to hit the 2020 target of 15%, said Changhua Wu, Beijing-based head of Greater China for the Climate Group, an NGO.



**First Solar's world-leading 80MW Sarnia project in Canada: the Arizona-based company is already planning a giant PV project in Inner Mongolia that could reach 2GW by 2020.**

Last year, the National Energy Administration (NEA), a semi-autonomous, ministry-level offshoot of NDRC, administered two rounds of solar bidding – with winning bids in the second round ranging from 0.73 to RMB 0.99/kWh. However, capacity has been slow to expand, with total solar generation capacity only 800MW by the end of 2010.

"NDRC and NEA have different opinions on how to conduct the large-scale development of solar PV," said Ma. "NEA would have liked to have the bidding programme first and then, when the costs are reduced to a certain level, introduce the FIT."

NDRC's FIT "was not commonly agreed upon by all of the ministries involved in solar PV, like NEA and the ministries of finance and construction", she added, "so we don't know yet how this policy will be implemented, and there is no detailed regulation to support this policy."

But despite the opacity of NDRC's plans, Ma said fixed tariffs would spur significant additional installations: "I think it will boom, certainly this year."

CREIA previously projected 1GW of solar PV installations for 2011, but now expects 1.5-2GW. However, it would be difficult to predict 2012's total, Ma added, as the FIT will be evaluated and perhaps adjusted at year's end.

Frank Haugwitz, Beijing-based director of PV consultancy Deutsche China Consult, said the fixed tariff could also open the door for foreign project developers, who failed to win even one concession in competitive bidding.

Although the RMB 1 tariff is the lowest solar FIT in the world, analysts estimate that internal rates of return could be in the high single-digits. "This is not too bad in the Chinese context," said Haugwitz, "more than expected, because in the past, with these tenders, it was lower. So there's some progress."

Such modest returns would be comparable to those in Chinese wind projects over the past several years and would be low enough to satisfy the additionality requirement of the UN's carbon credit programme, the Clean Development Mechanism (CDM).

"That is why most of the [solar] projects have applied for the CDM," said Ma. "For a 10MW project, CDM revenue will be around RMB 1 million, so that is pretty good."

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"This announced tariff in China can rejuvenate the PV industry," said Ashok Bhargava, director of the energy division of Asian Development Bank's East Asia department.

**Joshua Speckman**

*Paragraph 5 of this article was amended on 4 August with China's renewable energy targets. The article previously mentioned a 50GW target for solar installations by 2020. This was recently announced in the state press, but remains unofficial.*

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