

China Power Crunch (PART 3 OF 3): Revised Destination or More Comprehensive Policy of Energy Plan?

China Coal Production and Price Update

Since the power crunch in mid-September, China has launched policies to increase the coal supply to stabilize the demand and price to avoid unexpected power cuts. According to various media outlets in mid-November, the daily average of the coal supply for power station was 8.1 m Tons with peaks as high as 9.4 m Tones (which is 30% higher than the same period in last year). This means the daily production capacity is 1.7m Tones greater than the average daily demand.

On November 20, the total coal inventory at power stations exceeded 143m Tons (35m Tons higher than levels on the end of October), which is equivalent to 23 days of consumption. The authority projects that the inventory could reach 150m Tons by the end of November.

The coal price also plunged from the record high at the beginning of the October because the government curbed the physical supply and commodity market.

Generally, the power crunch apprehensions have calmed, but other concerns have surfaced: the nation's coal production has reached a record high since October 2015 and it is very unlikely that government will slow the production which is in full throttle. The big question is how does China balance between a steady supply of energy and fulfilling its pledge on "to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060".

CCA Newsletter Dec 7, 2021

The CCA Newsletter is summary of articles about the Asia Business environment. The "Revised Destination or More Comprehensive Policy of Energy Plan?" is Part 3 of 3 in the China Power Crunch series. For more follow-us on [Linkedin](#).

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In the updated NDC, China has stated that it will strictly curb coal-powered projects, set strict limits on the increase in coal consumption during 2021-2025 and to phase it down during 2026-2030. China also emphasized that it will effectively control non-CO2 GHG emissions. By following through on its '1+N' policy framework, China can implement a slate of domestic measures to mainstream China's climate goals across different industries and sectors. The "1" refers to the emission peak plan and "N" stands for the action plans and key policy measures/actions for key sectors and industries.

China's Key Commitments in COP26

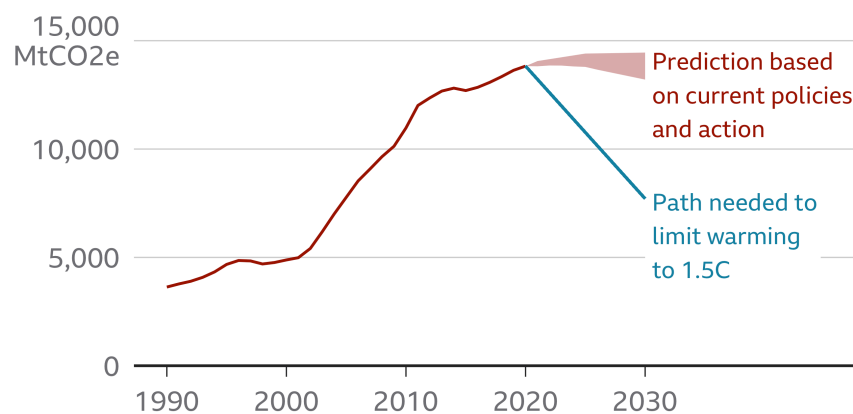
Just before the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow, China submitted an updated its Nationally Determined Contributions (NDCs) to fight climate change. The pledge did not have any drastic changes, but it did formalize it's a commitment to raising the share of non-fossil fuels in its primary energy consumption to 25% by 2030, which was previously a pledge of 20%, and increasing wind and solar power capacity to more than 1,200 gigawatts. China also promised to stop building coal plants abroad and increase 6 billion cubic meters (from 2005 levels) in the forestry volume by 2030.

Many environmental analysts expected more commitment from China. Then China and US announced a "[Joint Glasgow Declaration on Enhancing Climate Action in the 2020s](#)" during the COP26 Summit, but many critics said that this declaration only offers slight forward progress on climate action.

Some believe that China needs to take more actions to reduce greenhouse gas emissions including rapidly shifting energy mix from coal to other renewable or clean energy so that the carbon footprint can start to reduce in 2027 and reach the peak in 2030.

China will need more ambitious action to meet its climate targets

China's emissions 1990 to 2030



MtCO2e = Metric tonnes of carbon dioxide equivalent
 Figures exclude land use, land use change and forestry

Source: Climate Action Tracker





More Green Power in the Pipeline

To meet 2030 carbon emissions peak goals, China will need to increase its annual capacity of renewable energy (such as wind and solar farms) from 513 gigawatt to 1,200 gigawatts by 2030: 9% increase per annum. It is no doubt that this target is very aggressive, but it looks like that the nation is very determined to reach this increased capacity. The National Development and Reform Commission (NDRC) and National Energy Administration has confirmed more 100-gigawatt wind/solar power projects year-to-date in 2021. Many large-scale wind and solar farms projects will be setup around the desert regions in the northern provinces. New projects have already started in Qinghai, North-East China.

In addition, the nation has encouraged the development of Pumped-Storage Hydroelectricity technology and application to boost the efficiency of wind/solar energy usage.

New hydro power is also in the nation's plan to broaden its energy sources. For the next four years, the hydropower capacity is to increase 4.6% per year with the total capacity to increase from 398 gigawatt in 2021 to 476 gigawatts in 2025. Most of hydropower stations are clustered in Sichuan and Yunnan, South West China.

China has 49 Nuclear Powered Genset Units in operation with a total capacity 51 gigawatts as of 2020. The latest 14th Five-Year Plan (2021-2025) states that the total capacity should reach 70 gigawatts by 2025: 16 Genset Units (equivalent to a total 17 gigawatts) have been

undergoing construction since 2020 and 3 more (equivalent to 3.6 gigawatts) have been approved.

Bending the Curve of Emissions Downward

From the figures and projects announced, China shows that they have confidence to achieve the carbon dioxide emission peak and neutrality progresses as plan. However, it is an exceedingly difficult task to reduce the carbon footprint by 2027. The planners need to have very close and constant monitoring of the situations. Not only will they need to have a clear understanding of current situations but also a precise forecast of roadblocks. The power crunch in September showed how quickly progress could turn into panic therefore careful preparation and management will be key. From various policies and plans announced so far, it is clear that China will support their increasing power demand through green energy by 2030.

CCA Observation: Possible but a difficult task.

“Where there is a will, there is a way”: as long as China continues to have faith that using green energy sources will have long term benefit to the inhabitants, they will take appropriate actions to continue to reach their goal emission goals. China intends to generate more comprehensive energy policy after the recent power crunch and continue their commitment to peak CO2 emission by 2030.