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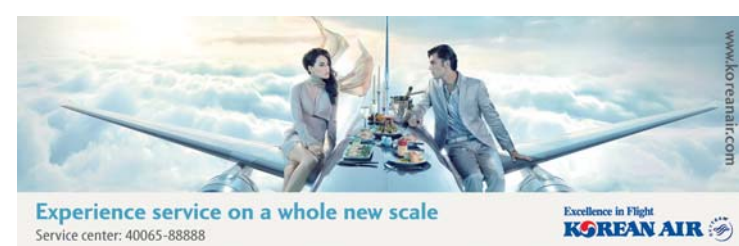
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Photovoltaic industry powering ahead

Despite challenges, nation is still investing heavily in solar projects

By LIU YIYU
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China will become the world's largest solar market in the next two to three years."

WANG YIYU
CHIEF STRATEGY OFFICER, YINGLI GREEN ENERGY HOLDING

Just nine months after the United States initiated an investigation against China's solar panels industry, Europe — the largest buyer of Chinese solar products — is likely to start another round of a trade war with Chinese manufacturers.

FOCUS German company SolarWorld AG has filed a petition with the European Union to request an anti-dumping investigation on solar products imported from China.

If the EU follows the US precedent and launches an anti-dumping investigation, the Chinese solar industry could suffer a serious blow, according to a joint statement issued by more than 30 Chinese companies.

The statement underlined the fact that the domestic market — despite its promising potential — is not an immediate alternative for local companies.

But things might change as the Chinese market develops. The challenges faced by China's solar industry mirror the ones faced by Peng Xiaofeng, the founder of Jiangxi province-based LDK Solar.

The New York-listed company made Peng the fourth-richest man on China's Hurun Wealth List in 2008, when he was only 33 years old. LDK Solar used to be ranked No 1 in Asia for its wafer production capacity.

Today, the company is still No 1 in the industry, but now for the amount of debt it holds on its balance sheet. And bankruptcy rumors have plagued it recently.

Chinese manufacturers export nearly \$2 billion worth of solar panels annually to the US. And nearly 60 percent of China's

solar exports — which are worth \$35.8 billion — were shipped to the European market in 2011.

While eurozone demand is shrinking due to the debt crisis and subsidy cuts, the US is imposing punitive tariffs, as high as 250 percent, which may block some Chinese companies from the market.

Weakening external demand and a small domestic market have left Chinese solar manufacturers struggling. Major players, including Suntech Power Holdings, LDK Solar and Yingli Green Energy Holding, all posted bigger-than-expected losses in the first quarter of the year.

But Chinese companies are starting to look to an expanding domestic market as a result of the shrinking overseas markets.

Promising market

According to an estimate by US-based researcher NPD Solarbuzz, only about 70 percent of China's solar modules production will be exported this year, down from 95 percent in 2010. Exports from Hebei province, one of the major solar manufacturing bases and the home of Yingli, decreased by one-fourth in the first half of the year.

A vast Chinese market is a vital source of demand for the

country's makers of renewable-energy equipment.

"China will become the world's largest solar market in the next two to three years," said Wang Yiyu, Yingli's chief strategy officer.

Last year, China overtook Japan as Asia's biggest solar market, and its growth is likely to continue. Some 3,000 megawatts of solar facilities will be installed in China this year, up from about 800 mW in 2010, Bloomberg New Energy Finance reported.

NPD Solarbuzz is even more optimistic, predicting that the country will add about 5,000 mW of solar capacity in 2012. With European governments considering further cuts in subsidies, China might even finish the year as the world's largest solar market, ahead of today's leaders, Germany and Italy.

Industry targets have been laid down and subsidies splashed out.

The growth of the photovoltaic industry in China has been supported by a positive policy environment, which is now acting as a solid foundation for increased adoption of the photovoltaic technology.

Key incentive policies in China include both feed-in-tariff mechanism and government rebate programs.

FIT is a policy mechanism designed to accelerate investment in renewable energy technologies. It achieves this by offering long-term contracts to renewable energy producers, usually based on the cost of generation of each technology.

And the central government is continuing to work on new incentive schemes, such as the Renewable Portfolio Standard Management Measures and the Distributed Generation Management Measures, which could be rolled out during 2012, according to the research note by Ray Lian, senior analyst at Solarbuzz.

Since last year, China has started using FIT to guarantee



China controls 70 percent of the world's solar panel production and exports nearly 90 percent of its products to the eurozone and the United States. However, Chinese companies are starting to look to the domestic market as a result of the shrinking overseas markets.

the prices that utilities must pay solar power producers for their electricity. The program guarantees solar developers a payment of 1 yuan per kilowatt-hour, or 1.15 yuan per kWh in some cases depending on the timing and location of the project.

Ambitious targets

Meanwhile, the Golden Sun program was launched in 2009 to boost China's use of solar power. The country approved 1.7 gigawatts of Golden Sun projects this year, up from the 1 gW originally planned. The government is likely to add another 1.2 gW of projects

under the program this year, in order to boost the domestic market, industry experts estimate.

The government also doubled surcharges on power sales to 0.008 yuan per kWh in order to subsidize renewable energy power generation.

The National Energy Administration has also decided to quadruple the country's 2015 solar energy target to 21 gW.

At the provincial level, many governments are accelerating solar installation projects. For example, Northwest China's Gansu province set the most ambitious target among all the

regions, with 5,000 mW of solar capacity to be installed by 2015.

Booster by the positive momentum, Yingli Solar said it plans to sell 2,500 mW to 2,600 mW of solar panels in 2012, including 900 mW in China. If the goal is met, China will become the company's largest market for the first time.

The company expects domestic sales to contribute 35 percent to revenues next year, up from 6 percent in 2010.

Solar panels makers are also building solar farms since panel prices plunged recently. Running such operations has become

more profitable than manufacturing the equipment.

Suntech Power Holdings plans to develop 100 mW of solar projects in Hainan province. Other companies that plan to build solar farms in China include Yingli, Canadian Solar, LDK Solar and JA Solar.

Chinese photovoltaic installed capacity is still quite small compared with wind power development, which is the largest in the world with 62.7 gW of installed capacity as of 2011, or 25 percent of the world's total.

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Opportunity looms for premium Chinese water brands

By ZHENG YANGPENG
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At least 70 percent of China's surface water have been polluted. Unlike surface water, mineral water is usually hundreds of meters underground, so it's free from contamination. People who have been to a decent mineral water production base would realize that the price they are paying is not too high."

LIAO LEI
SECRETARY-GENERAL, CHINA MINERAL WATER COMMITTEE OF THE CHINA MINING ASSOCIATION

On July 6, after a month-long silence, Evian held a news conference in Shanghai to address the issue of the excessive nitrite found in its products.

Dai Ning, general manager of Danone Premium Brands, which owns the Evian brand, said his company could not confirm that the water that failed an inspection was produced by Evian.

Excessive nitrite intake can cause oxygen depletion and even cancer if ingested over a long period of time.

"It's hard to confirm if the affected products were real Evian water, or where they came from, because they were not imported by an assigned official importer to the Chinese market," Dai said.

Untapped ocean

This was the sixth time in the last six years that the company was inspected due to quality problems. Experts said that even if the tainted water was indeed not produced by Evian, the incident exposed the company's weak control over its import chain and its vulnerability to negative news.

For most domestic water companies, the Evian incident

Holdings Ltd, which produces the water, said its revenues in 2011 were 633 million yuan (\$99.2 million), up 76 percent from the previous year.

The figure is impressive, given that the company's first production line was set up only five years ago. In that time, the company went public in the Hong Kong Stock Exchange, becoming the first domestic premium mineral water maker to launch an IPO.

For other water companies, the high profit margins are more appealing. In the financial report, Tibet 5100 said its gross profit margin was 79 percent, up from 64 percent a year before.

A report by Euromonitor said the profit margin of high-end bottled mineral water is six to seven times that of the bottled water for the general market.

For many Chinese water companies, long disappointed with the industry's meager margins, the lucrative high-end market is an untapped ocean.

According to CIConsulting, an industry research institution, the market value of high-end bottled water in 2011 was 3 billion yuan and the figure is projected to grow to 10 billion yuan by 2015.

But given the size of China's market, the figure is a drop in the ocean. Chinese people on average drink 18 liters of bottled



A customer stands in front of shelves filled with numerous brands of bottled water. China's high-end bottled water market was 3 billion yuan (\$471 million) last year, and it's expected to grow to 10 billion yuan in 2015.

water a year, compared with 117.5 liters in Europe.

Liao Lei, secretary-general of the China Mineral Water Committee of the China Mining Association, said that Tibet 5100 is one of the few brands making a profit. Of the 100-odd major domestic mineral water producers, most are suffering losses or only making meager profits.

According to Liao and other industry experts interviewed by China Daily, low recognition, among other factors, are hindering the companies' chances of transferring the huge potential into tangible profits.

Even though the public isn't aware of it, the natural mineral water business involves little processing.

"We just do some basic filter-

ing. But even the filtering is a preventative measure because there are virtually no impurities in the water," said Pang Zhengguo, general manager of quality assurance at the JDB Group, which produces Kunlun Mountains water.

Daunting task
Compared with manufacturing, finding an appropriate

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water source and then placing the product in stores' shelves is a much more daunting task.

Pang said it took him 10 years to spot a place on the Kunlun Mountains in West China and build a factory there.

The time span, which initially seems exaggerated, becomes more plausible after Pang explains his criteria.

The water quality is the top concern, and mineral water from Kunlun Mountains meets that criteria. But according to the China Mineral Water Committee, there are 4,400 spots capable of producing mineral water across China.

Other factors must be crossed out also, which makes the process so time consuming.

Pang said that low population density, easiness to conserve water quality, and water quantity are all critically important for the selection of the water source. In order to find the right source, he said he had to scour "every corner" of Tibet, a region believed to have some of the few uncontaminated water sources in China.

But several places in Tibet — which has also the best water quality — either didn't have enough water or it wasn't easy to conserve the water quality. So they had to be dropped from the list.

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