

## Power Sector Roundtable 4<sup>th</sup> Workshop

### Role of Coal Power in China's 13th Five-Year-Plan (FYP)

January, 2016

NRDC successfully held the 4th event of the Power Sector Roundtable, "Coal Power Plants Development in the 13th Five Year Plan Period" workshop on Jan 26, with support from WWF, Energy Foundation China, and the Regulatory Assistance Project. Experts from the power sector, enterprise association, research institutes and NGOs were invited to share their insights and perspectives. While the experts debated over coal power plants' overcapacity and stranded cost, all appealed for increased stringency when it comes to new capacity approval and investment.

#### Background

As China's economy entering "new normal", its electricity consumption growth is slowing down. Statistics shows in 2015, annual average power plant operation hours declined to 4,400 hours. However, investment to coal fired power plant is still increasing. At the same time, coal power faces severe competition from renewables, and problems in excess capacity and stranded cost of are increasingly prominent. How to find the role that coal power should play in 13<sup>th</sup> FYP is essential to China's energy transition. This roundtable meeting was then oriented to discuss this issue. The meeting focused on analyzing potential impacts of stopping approvals of coal power in 13<sup>th</sup> FYP, and providing suggestions to the future of coal power in China.

#### Takeaways and Outlook

Dr. Fuqiang Yang, senior advisor of NRDC China Program, delivered a presentation at the start of the meeting. His presentation reviewed coal power development in 12<sup>th</sup> FYP, and provided an outlook for its development in 13<sup>th</sup> FYP. Experts from power generation, industry association, research institutes and NGOs presented research findings and held a lively discussion on the prospect of coal power in China. Below is a brief summary:

- **Electricity demand will remain weak.** The growth of China's electricity demand fell to 0.5% in 2015 from 12% in 2010. It's anticipated that this growth rate will remain low in 13th FYP. Although urbanization and electrification provide a certain contribution to the increase of energy demand, they can't offset the decline from cutting overcapacity of heavy industries and economic structure readjusting.
- **Electricity is oversupplied.** Annual utilization hours of coal power plants dropped to 4400 hours in 2015 from 5100 hours in 2010 during 12th FYP period. It's highly expected that this rate will keep declining in 13th FYP, which will bring more severe problem in oversupply.
- **Stop approving new coal power plants.** With current construction scale, no new power plant is needed.

- **Strengthen electric power planning and avoid unwise investment to coal power.** Current plan doesn't lead investors to invest wisely, too much investment have been made to the coal power sector.
- **Marketization of power sector is key to the future of coal power.** Marketization reform is more efficient to allocate resources and capitals than administrative orders.

While opinions differed as to whether the government should stop approving new coal plants altogether, all agreed on the need to limit coal plant investments and raise greater investor and industry awareness.