
China May Accelerate Nuclear Power Construction

Top leaders stressed to accelerate nuclear power construction. On 13th June, president Xi Jinping chaired the sixth meeting of Central Financial Leading Group to formulate China's strategy on energy safety. The meeting announced to 1) focus on development of non coal-fired energy and build a multi-driven energy supply base consisted of coal, oil, gas, nuclear, new energy and renewable energy. 2) quicken the start of new nuclear power project construction in eastern coastal areas.

We estimate that NDRC will approve 4 new nuclear units(1 GW per unit) per year in average during 2014-2016, in order to meet the target of 58GW operation installation by 2020. Nuclear project which is to be operational by 2020 needs to start construction in or before 2016. China has launched three new nuclear power units YTD and there is 18GW installed nuclear capacity in operation. Its capacity in operation targets for 2015 and 2020 are 40GW and 58GW, respectively.

China's nuclear power contribution in electricity generation is significantly lower than international average. Compared to 10.8% of global electricity generation from nuclear in 2013, only 2.1% of China's power generation was from nuclear. According to our estimation, 5% of China's power generation will be generated by nuclear by 2020.

RMB 40 billion nuclear equipment tenders per year ahead. As 3G technology should be the mainstream of China's nuclear power development, we use 3G equipment cost to forecast the tender pool. Each nuclear unit(1 GW per unit) worth RMB10 billion, which implied annual nuclear equipment tenders in 2014-2016 should be around RMB 40 billion. We estimate that new orders of 'Big three power' from nuclear equipment in 2014-2016 would be 150% higher than 2013. Among 'Big three power', we expect Dongfang Electric(01072 HK) would be most benefited due to 1) its highest contribution proportion from nuclear equipment segment. 2) its technology advantages.

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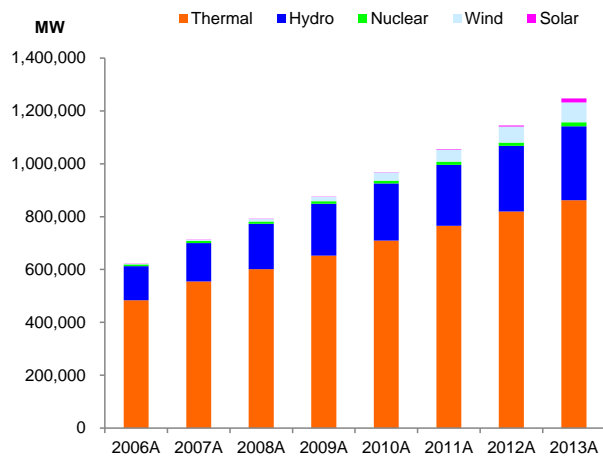
Table 1: Global Power Generation Breakdown by Fuels

Terawatt-hours	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	16,192	16,787	17,571	18,333	19,028	19,922	20,278	20,129	21,423	22,091	22,635	23,127
Thermal (*)	10,577	11,208	11,668	12,264	12,757	13,601	13,776	13,525	14,449	15,014	15,412	15,622
Nuclear	2,698	2,644	2,761	2,768	2,806	2,748	2,738	2,714	2,767	2,655	2,474	2,489
Hydro	2,646	2,639	2,807	2,925	3,044	3,095	3,218	3,261	3,464	3,517	3,684	3,782
Wind	53	63	86	104	133	171	219	278	343	436	522	628
Geothermal, Biomass and Other	217	230	248	268	283	302	316	333	369	411	448	481
Solar	2	2	3	4	5	7	11	19	30	59	94	125

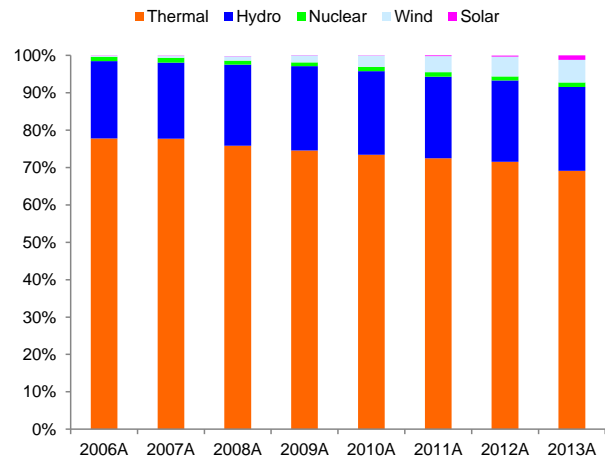
Percentage	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Thermal (*)	65.3%	66.8%	66.4%	66.9%	67.0%	68.3%	67.9%	67.2%	67.4%	68.0%	68.1%	67.5%
Nuclear	16.7%	15.7%	15.7%	15.1%	14.7%	13.8%	13.5%	13.5%	12.9%	12.0%	10.9%	10.8%
Hydro	16.3%	15.7%	16.0%	16.0%	16.0%	15.5%	15.9%	16.2%	16.2%	15.9%	16.3%	16.4%
Wind	0.3%	0.4%	0.5%	0.6%	0.7%	0.9%	1.1%	1.4%	1.6%	2.0%	2.3%	2.7%
Geothermal, Biomass and Other	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.6%	1.7%	1.7%	1.9%	2.0%	2.1%
Solar	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	0.4%	0.5%

Remark(*): Thermal part is calculated by total electricity volume minus the others.

Source: BP, CSCI

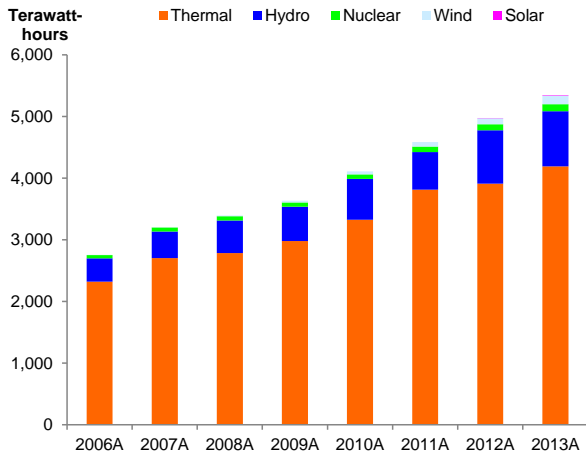
Figure 1: China Power Generation Installation Mix

Source: CEI, CSCI

Figure 2: China Power Generation Installation Mix

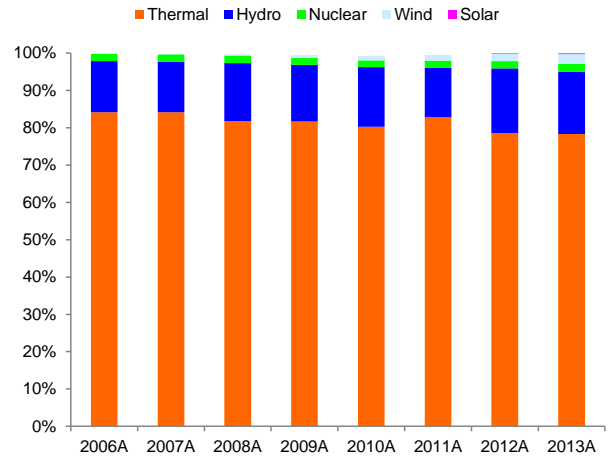
Source: CEI, CSCI

Figure 3: China Power Generation Volume Mix



Source: CEI, CSCI

Figure 4: China Power Generation Volume Mix



Source: CEI, CSCI

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