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A bellwether for China wind?

The initial public offering of Huaneng Renewables in Hong Kong sailed through last week, six months after volatile markets had forced the company to scrap its original offer. Reports indicate that the Chinese wind developer has mobilised as much as $HK6.2 billion ($US800 million) by selling 2.49 billion shares at $HK2.50 per share.

The offering is at the lower end of price band, which itself is lower than the previous offer price, from December. Investors paid about 14.2 times forecast 2011 earnings. Data compiled by *Bloomberg News* showed this was lower than the 2011 earnings multiple enjoyed by China Datang, though higher than the Xinjiang Goldwind multiple. Trading of these shares is slated to start on June 10.

The fundraising will be seen as an affirmative vote for China's wind sector after a disappointing first six months of trading for China Datang. The latter raised $US643 million in a Hong Kong initial public offering in December last year – but the shares are currently trading at an 8 per cent discount to the issue price.

Overall, the performance of the 98-share WilderHill New Energy Global Innovation Index, or NEX, has been lacklustre this year, despite the spurt that followed the nuclear disaster at Fukushima in Japan. At that point, investors expected increasing fund flow to the renewable energy sector in Japan, and around the world.

That is indeed happening in some countries. Germany is firming up an accelerated nuclear exit while pushing investments in renewable energy. Chancellor Angela Merkel announced last week that this would be done in phases, with nuclear power station closures marked for 2015, 2017, 2019, and the final ones in 2012 and 2022. France, which gets about 80 per cent of its power from nuclear plants, will get

34 per cent of its electricity from renewable sources in 2020, Prime Minister Francois Fillon told Parliament last week. This would include offshore wind projects.

The NEX touched a high of 236 on April 4, 2011. As of June 7, it was marginally below the year's start level of 214.

For the trading week ending June 3, the index's gain was less than 1 per cent over the previous week. China's Ming Yang Wind Power was one of the major losers, with a 11.9 per cent dip in its share price. NEX energy conversion stocks turned in a 6.5 per cent gain last week. Biofuels and biomass stocks added 3.2 per cent, while solar stocks were up 1.6 per cent. Wind was flat. Power storage stocks were down 1.6 per cent and energy efficiency retreated 1.7 per cent.

The other main funding developments during the week were also in China. Solar equipment maker Yingli Green Energy received a five-year $US180 million loan from China Citic Bank and Bank of China to finance new and existing projects. Golden Concord Group, the parent of GCL-Poly Energy Holdings, signed a funding agreement with China Development Bank for new technology and expansion – domestically and overseas. The quantum of loan was not detailed.

China has an aggressive plan for a solar ramp-up in the 12th five year plan. According to information available with *Bloomberg New Energy Finance* analysts, China is planning a solar capacity of 10GW by 2015, double the initial target. For 2020, it is planning a capacity of 50GW against the original target of 20GW. For wind, the target is 100GW by 2015, which includes 5GW of offshore capacity. This goes up to 160GW in 2020, with 30GW planned offshore. These targets are limited to grid-connected capacity.