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**CHINA'S POWER SECTOR HEADS TOWARDS A CLEANER FUTURE**

***China's power capacity will more than double by 2030 and renewables including large hydro will account for more than half of new plants, eroding coal's dominant share and attracting investment of \$1.4 trillion. China's power sector carbon emissions could be in decline by 2027.***

Beijing, 27 August 2013 – China's power sector is expected to go through significant changes through to 2030, according to a new report released by Bloomberg New Energy Finance. China will add 88GW of new power plants annually from now until 2030, which is equivalent to building the UK's total generating capacity every year.

China is already the world's largest power generator and its largest carbon emitter. Over the next two decades China could add more than 1,500GW of new generating capacity and invest more than \$3.9 trillion in power sector assets. However, as a result of shifts in generation mix, China's total power sector emissions could start declining as early as 2027.

Bloomberg New Energy Finance analysed China's power sector based on four scenarios. In the central scenario, dubbed 'New Normal', China's total power generation capacity more than doubles by 2030, with renewables including large hydro contributing more than half of all new capacity additions.

This, together with an increase in gas-based generation, would drive the share of coal-fired power generation capacity down from 67% in 2012 to 44% in 2030. In absolute terms, however, even in this scenario, coal will continue to grow rapidly until 2022, adding on average 38GW per year – equal to three large coal plants every month. It will then grow at a much lower rate, installing on average only 10GW per year until 2030. Carbon emissions and local environmental problems resulting from coal, such as poor air quality will likely continue to worsen in the next 10-15 years despite the shift towards cleaner energy sources.

Jun Ying, country manager and head of research for China at Bloomberg New Energy Finance, said: "China has started to change course towards a cleaner future. But despite significant progress in renewable energy deployment, coal looks set to remain dominant to 2030. More support for renewable energy, natural gas and energy efficiency will be needed if China wants to reduce its reliance on coal more quickly."

Bloomberg New Energy Finance leveraged its proprietary energy models, data and knowledge from its China-based team of experts to come up with the four scenarios for China's power sector until 2030. The other three scenarios examined were 'Traditional Territory' (which sees a heavier reliance on coal and fossil fuels), 'Barrier Busting' (in which barriers to the adoption of clean technologies are systematically eliminated by policy-makers), and 'Barrier Busting with Carbon Price'.

To complete the most aggressive scenario, combining the Barrier Busting scenario with an emissions

trading scheme (ETS) starting in 2017, Bloomberg New Energy Finance's team produced what it believes is the world's first forecast of a Chinese carbon price, based on stated national goals for emission abatement. An average carbon price of CNY 99/tCO<sub>2e</sub> (\$16/tCO<sub>2e</sub>) will result in 23% fewer new coal plants being built compared to the New Normal scenario. The difference would be made up by more renewables and natural gas. The sector's carbon peak would arrive four years sooner as a result, in 2023.

Milo Sjardin, head of Asia Pacific at Bloomberg New Energy Finance, said: "The wide range of outcomes in our scenarios demonstrate the extreme uncertainty facing China's energy sector. The future depends on a number of big questions, questions on which one can still only speculate: the cost at which China may be able to extract its shale gas reserves, the potential impact on fracking and thermal generation of water constraints; and potential accelerations in climate and environmental policy, including a potential price on carbon."

Michael Liebreich, chief executive of Bloomberg New Energy Finance, said: "It is hard to underestimate the significance of China's energy consumption growth and its evolving generation mix. The impacts will reach far beyond China and have major implications for the rest of the world, ranging from coal and gas prices to the cost and market size for renewable energy technologies – not to mention the health of the planet's environment."

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