

WIND INDUSTRY & COVID-19 UPDATE

IMPACT IN CHINA

8 APRIL 2020



On 8 April, GWEC hosted a Webcast with key stakeholders from China's wind industry to discuss the **impact that the COVID-19 crisis had on the Chinese wind market and how the industry is recovering.**

This was the first Webcast of GWEC's Wind Industry & COVID-19 Response Hub, with participation from **Qin Haiyan**, Secretary General at the Chinese Wind Energy Association (CWEA), **Zhai Endi**, Corporate Chief Engineer at Goldwind, **Dick Xie**, Offshore Product Line Director at Envision Energy as well as experts from the Global Wind Energy Council (GWEC) including CEO **Ben Backwell**, Strategy Director **Feng Zhao**, and China Director **Wanliang Liang**.

Below you will find the key takeaways from this webcast.

Impact of COVID-19 on China's wind supply chain

- Most manufacturers had shut down their facilities in January and February 2020, resuming production until late February.
- Traffic bans and quarantine measures in China impact the supply chain, consequently:
 - 1.) Production capacity in regards to components and turbines has dropped drastically, and shipments of wind turbines will decline by roughly 30 per cent throughout the year;
 - 2.) Wind project construction is much slower than scheduled. At least six months of delay is expected for onshore wind and even longer for offshore wind.

- The global COVID-19 outbreak has exacerbated the already acute shortage of key components, adding stress on wind power development in China. Following the lockdown in countries such as Italy, Germany and Ecuador, imported raw materials, such as Balsa Wood and PVC, and key components, such as main bearings, gearbox bearings and IGBT chips, are now being restricted.
- China's wind power projects cannot be developed without technology and products from other countries, thus international cooperation is needed now more than ever.

Grid-connection deadline extension

- Eligibility for China's Feed-in Tariff: onshore wind projects approved prior the end of 2018 need to be grid-connected by the end of 2020 and offshore wind projects approved need to fully grid connected by the end of 2021.
- In an initiative led by CWEA, Chinese companies have called for a six-month postponement of the deadline for grid connection. According to CWEA, the government understands the challenge, and it is very likely that they will take the necessary action to mitigate the negative impact of COVID-19, ensuring stable investment, growth and employment. The result is likely to be announced in the next 1-2 weeks.

Chinese turbine OEMs update

Goldwind - Onshore

- All Chinese suppliers have resumed business-as-usual, with an utilisation rate up to 98 per cent in their manufacturing facilities. However, overseas suppliers located in Europe, North America, South America and Asia (excluding China) have been impacted by COVID-19 crisis to varying degrees.
- Currently, Goldwind is maintaining normal production and delivery levels with sufficient material inventory.
- All 25 owned and cooperative manufacturing plants in China have resumed production, fully returning to normal. However, all Goldwind overseas offices are closed and employees are still working from home.
- Although Goldwind had a slow first quarter in 2020, its estimated annual delivery capacity in 2020 is in the range of 12-14 GW, depending on the varying levels of optimism in regards to COVID-19 impact.

Envision - Offshore

- With the support from Envision including the Envision made masks, their Chinese suppliers have switched the production back to normal with an utilisation rate up to 99 per cent.
- Its offshore wind turbine production facility located in Yancheng, Jiangsu province is one of the first turbine assemblies in China that has reverted back to work after the COVID-19 outbreak.
- An Envision 4.5MW offshore turbine was installed in Zhejiang province on 19 February 2020, which highlights that China's offshore construction is in recovery.
- With a matured supply chain for its 4-5MW offshore wind turbine with key component and suppliers already locked in by the first half of 2019, this has ensured stable delivery despite the challenges of the COVID-19 crisis. Envision is confident to deliver its order intakes from the offshore sector in China in 2020.

China's Wind Market Outlook

- Considering the disruption on the domestic and international wind supply chain, CWEA downgraded its onshore wind forecast for 2020 from up to 35 GW to 20-25GW.
- Following the expected grid-connection deadline extension by NEA, 2021 is likely to be a big year with about 30 GW of onshore wind capacity forecasted to be installed.
- 2023 and 2024 are expected to be difficult years in China after the previously approved project pipelines run their course.

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