



Sector Report: Energy Operations Sector

行业报告：能源运营行业

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Jan.-Feb. 2023 Power Data Review: Demand Could Improve Further; Wind Output Growth Outperformed

2023年1-2月电力数据点评：需求有望进一步改善；风电电量增速抢眼

- **Jan.-Feb. 2023 Power Data:** According to China's National Energy Bureau (NEA), China's power consumption in Feb. 2023 grew 11.0% yoy and that in the first two months grew 2.3% yoy; generation from power plants above designated scale increased 0.7% yoy during the first two months of the year.
- **Demand growth was likely distorted by a high base effect and a warmer winter this year, and we expect it to further improve going forward.** By sector, yoy power consumption growth in Jan.-Feb. 2023 was +6.2%/ +2.9%/ -0.2%/ +2.7% for the primary industry/ secondary industry/ tertiary industry/ residential sector, respectively. We believe the relatively slow demand growth in the first two months was likely due to a high base last year and a warmer winter this year: 1) in Jan.-Feb. 2022, power consumption in China grew 5.8% yoy (tertiary industry/ residential sector up 7.2%/ 13.1%, respectively); 2) according to the China Meteorological Administration, the temperature in Jan. and Feb. was generally warm and dry, and the avg. temperature was 1.6°C/ 0.4°C higher in these two months, respectively, leading to less power demand for heating. Going forward, we believe power demand is likely to pick up as the high base effect should dissipate and industrial activity is showing signs of recovery. China Electricity Council expects power demand to grow by around 6% yoy in 2023.
- **New energy output maintained high growth, while thermal output growth turned negative, potentially due to squeezing effect.** By generation source, in Jan.-Feb. 2023, output growth of hydropower and thermal power turned negative, that of nuclear power slowed down, and that of new energy accelerated. More specifically, during the first two months this year, output from wind increased by 30.4% yoy, compared with negative growth in the same period last year, while solar output was up 9.3% yoy, 2.8 ppts more than the growth recorded in the same period last year. We believe such high growth was likely due to both better wind and solar resources so far this year and the grid connection of a relatively large amount of new energy capacity concentrated at the year end. In terms of hydropower, output declined 3.4% yoy in Jan.-Feb. 2023, potentially due to lower water reserve and less rainfall compared with the same period last year - however, output in Jan.-Feb., which is the dry season, tends to have limited impact on the whole year's output, and it remains to be seen if water conditions can improve in the rainy season this year. For thermal power, output dropped 2.3% yoy in Jan.-Feb. 2023, compared with growth of 4.3% yoy during the same period last year - this is likely due to the squeezing effect from new energy output when power consumption growth was tepid.
- **Investment suggestion:** We maintain "Outperform" for the sector on the growth opportunities brought by China's power system transformation for both thermal and renewables IPPS. Among thermal IPPs under transformation, we recommend CPID (02380 HK, "Buy", TP: HK\$4.90), and CRP (00836 HK, "Buy", TP: HK\$19.54); among renewables IPPs, we recommend DTR (01798 HK, "Buy", TP: HK\$3.34).
- **Risks:** Delay in new energy project roll-out; soaring coal prices; higher-than-expected raw material costs; lower-than-expected power demand; unfavourable changes in regulations and policies for IPPs.

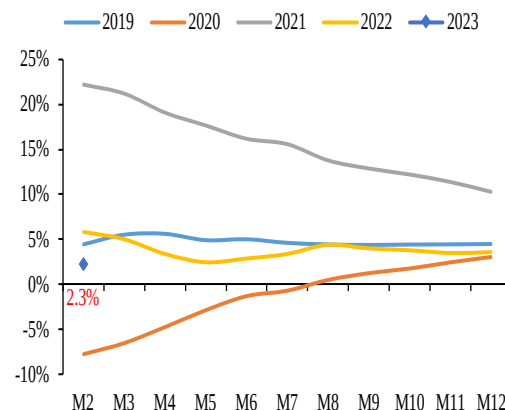
Rating:

Outperform
Maintained

评级:

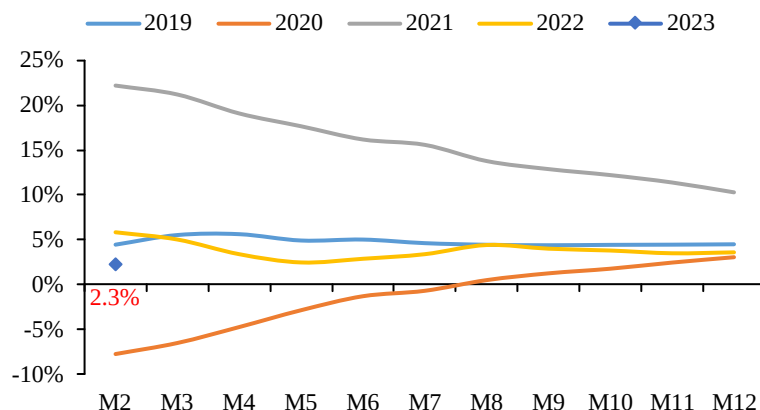
跑赢大市 (维持)

1-2M23 power consumption in China grew 2.3% yoy



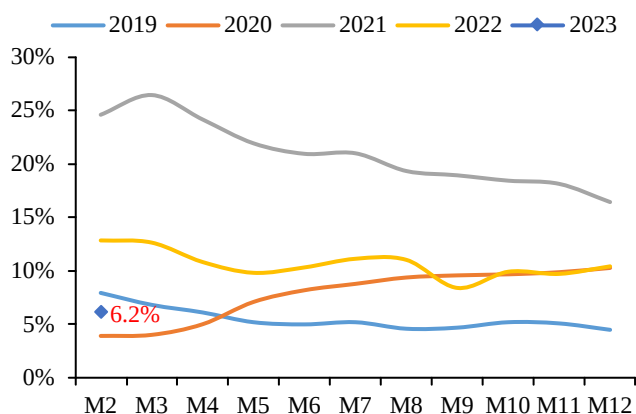
Source: NEA, Wind, Guotai Junan International.

Figure-1: 1-2M23 power consumption in China grew 2.3% yoy



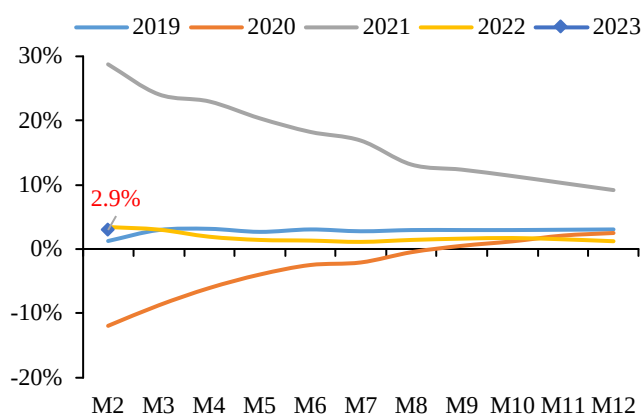
Source: NEA, Wind, Guotai Junan International.

Figure-2: 1-2M23 primary industry power consumption grew 6.2% yoy



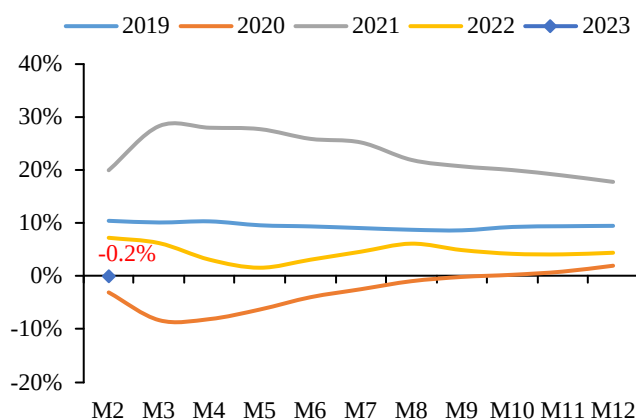
Source: NEA, Wind, Guotai Junan International.

Figure-3: 1-2M23 secondary industry power consumption grew 2.9% yoy



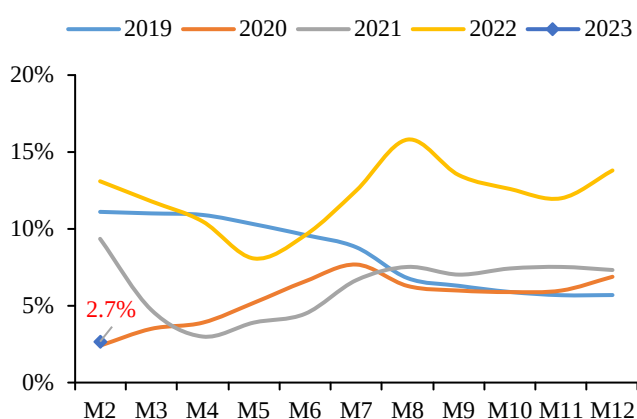
Source: NEA, Wind, Guotai Junan International.

Figure-4: 1-2M23 tertiary industry power consumption dropped 0.2% yoy



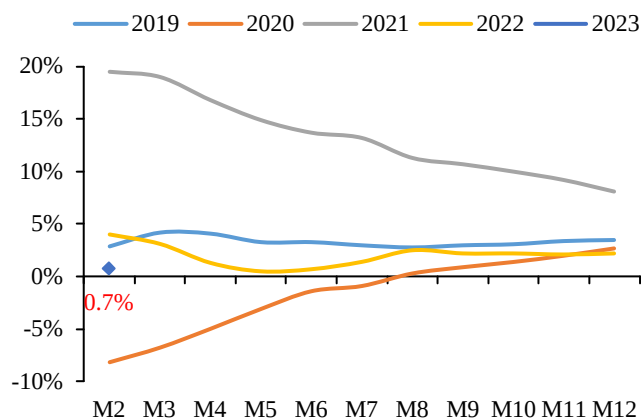
Source: NEA, Wind, Guotai Junan International.

Figure-5: 1-2M23 residential power consumption grew 2.7% yoy



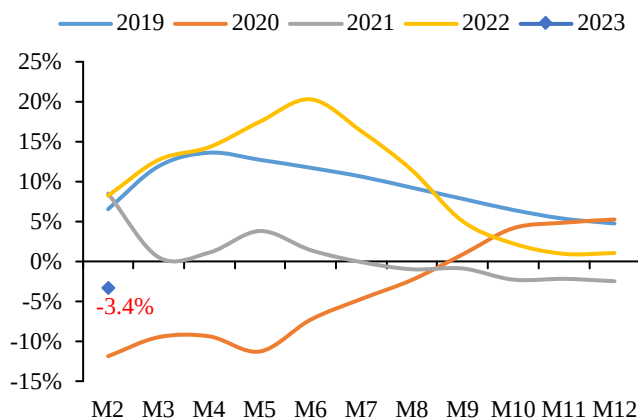
Source: NEA, Wind, Guotai Junan International.

Figure-6: 1-2M23 China's power output grew 0.7% yoy



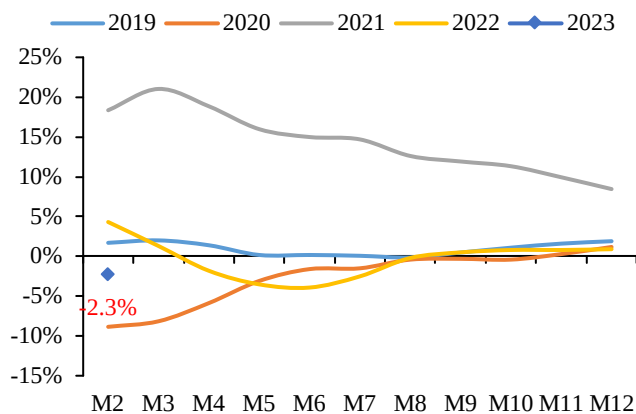
Source: NEA, Wind, Guotai Junan International.

Figure-7: 1-2M23 hydropower output dropped 3.4% yoy



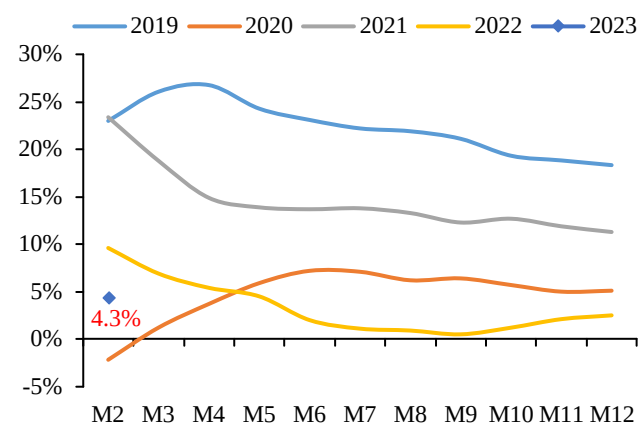
Source: NEA, Wind, Guotai Junan International.

Figure-8: 1-2M23 thermal output declined 2.3% yoy



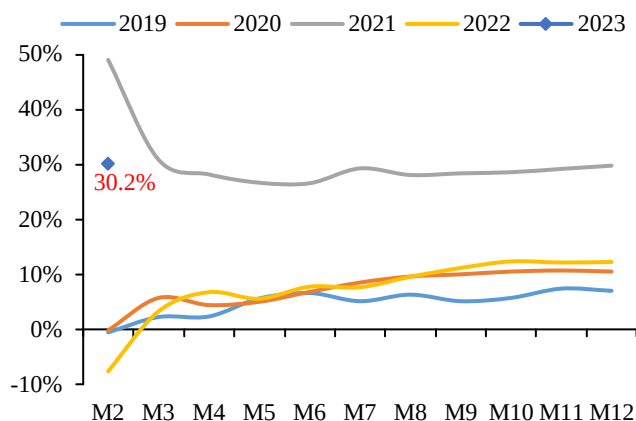
Source: NEA, Wind, Guotai Junan International.

Figure-9: 1-2M23 nuclear output grew 4.3% yoy



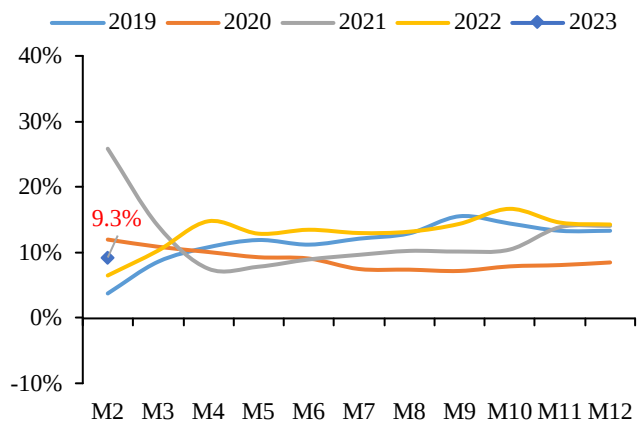
Source: NEA, Wind, Guotai Junan International.

Figure-10: 1-2M23 wind output increased 2.3% yoy



Source: NEA, Wind, Guotai Junan International.

Figure-11: 1-2M23 solar output grew 9.3% yoy



Source: NEA, Wind, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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