

Advances Towards Cleaner Energy

As the Chinese economy continues to grow, its domestic energy needs are forecast to expand significantly. At the same time, recent initiatives to reduce air pollution and ensure energy security has shifted the focus of the world's largest energy consumer towards renewable and cleaner alternatives.

China already leads the world in total renewable energy output, sourced mainly from hydroelectric, wind and solar power. Through technological and industrial upgrades, it also aims to become a global leader in nuclear energy.

With the country's clean energy share of total energy output forecast to increase considerably over the next decade, an array of opportunities continue to present themselves in this sector.

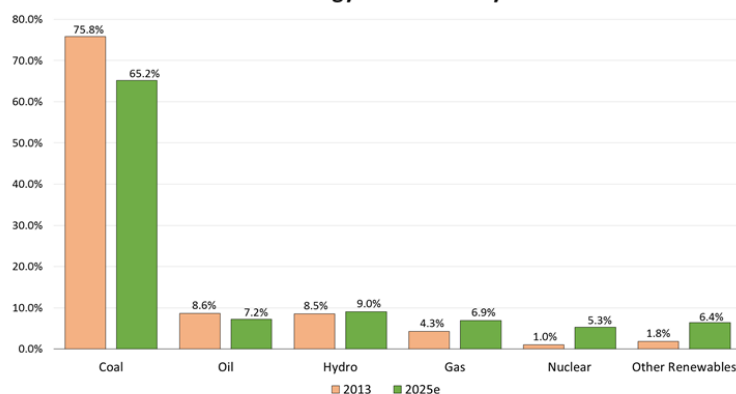
Nuclear Energy

In 2011, China paused to audit and revise its nuclear strategy, slowing the pace of development to focus on safety and quality. Following this, new plans were implemented, representing a serious and cautious approach to managing risks.

Existing facilities were required to phase in safety improvements in several areas involving flood prevention, used fuel disposal, cooling systems and capacity to respond to earthquakes. Meanwhile, new projects would be required to meet the standards of the world's most advanced nuclear reactors, incorporating improved fuel technology and passive rather than active safety systems among many other enhancements.

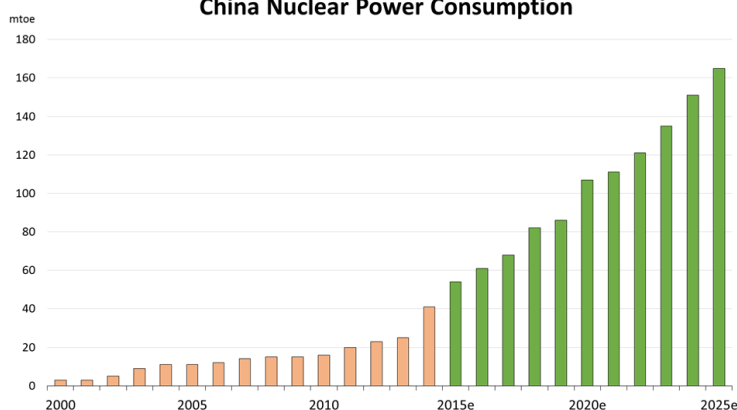
While the pace of Chinese nuclear development has slowed in the near-term, the country's long-term goals haven't changed. Over the next decade, the amount of nuclear energy generated by China is forecast to increase by over 300%. Given the government's ambitious roll out scheme and high barriers to entry, established nuclear power operators are expected to achieve rapid growth within a supportive operating environment.

China Energy Production by Fuel



BP Statistical Review 2013, Macquarie Research October 2014

China Nuclear Power Consumption



BP Statistical Review 2013, Macquarie Research October 2014

CGN Power

CGN Power is China's largest and most experienced nuclear power operator. The company also manages and oversees the construction of nuclear power stations, and provides related technical research and development. Its parent company China General Nuclear Power Corporation, is a leading global clean energy group with over 30,000 employees spread across 34 major subsidiaries and affiliates.

In its December 2014 IPO, CGN Power raised US\$3.16b achieving one of the largest floats in the Asia-Pacific region for the year. The funds are being used to expand the company's operational capacity to service China's rapidly growing energy needs, with its chairman citing plans to double its nuclear power plants within five years, from 11 at the time of listing.

CGN Power displays strong fundamentals. Net profit amounted to RMB 5.7b in 2014, a 36% year-on-year growth. As new nuclear power constructions are given the green light from government authorities, the company is well positioned to enjoy sustained earnings growth given its dominant market position.

