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China Still Leads In Solar

As oil continues to rise to new highs on the uncertainty and unrest in the Middle East, the renewable energy space is once again heating up. The proxy for the sector, the **PowerShares WilderHill Clean Energy** (NYSE:[PBW](#)), has climbed higher right along with traditional energy prices. Nonetheless, European [austerity](#) measures and potential budget cuts in the United States have many investors worried about future of the sector in the developed world. In China, however, the future is bright. Once again, the nation is proving to be a solar leader.

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The Golden Sun As Italy, the second largest solar installer in Europe, recently unveiled a plan to cap feed-in tariffs at 8000 MW, China extended its Golden Sun Program with aims of constructing additional solar projects under the plan. As of November, China's Ministry of Finance has approved 120 projects with combined capacity of 272MW for the Golden Sun program. Overall capacity will reach 5GW by 2015 and 20GW by 2020 according to China Renewable Energy Association's Solar Power Committee. These solar goals are met with China's ever increasing energy needs. Overall, China consumed 5.9% more energy in 2010, nearly 5.3% more coal, 12.9% more crude oil and 18.2% more natural gas than it did in 2009.

In addition, the nation's newest five-year plan bodes extremely well for renewable energy. Echoing statements made by Chinese Premier Wen, the National Development and Reform Commission, has acknowledged environmental protection and energy conservation as investment priorities. The plan calls for 7.0% annual [GDP](#) growth over next five years and a major shift from an export driven economy to that based on domestic consumption. China is already projected to surpass Germany by 2013 as the world's largest market for solar energy.

This new focus on "use what we build" will directly help Chinese solar manufacturers. Additionally, their lower-cost production models give them preferred access in many international markets. From a stock point of view, the Chinese solar sector is cheap on both a trailing and [forward P/E](#) basis. Many have seen their share prices fall recently in the wake of international subsidy cuts. However, China's continued focus on alternative energy makes the sector an interesting long term buy.

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Bottom Line As oil races upwards, alternative and renewable energy is once again back in the spotlight. However, while the developed world struggles with austerity and budget measures, China is continuing its push into renewables. The extending of its Golden Sun program along with the launching of its newest five-year plan, Chinese solar producers such as **Hanwha Solar One** (Nasdaq:[HSOL](#)) will do well. Investors in the sector should focus their attentions on the cheap Chinese producers.