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China May Approve Nuclear Projects on Revised Safety Rules (1)
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(Updates with Barclays comment in fourth paragraph)

By Guo Aibing

Dec. 14 (Bloomberg) -- China, the world's biggest energy user, may resume approving new nuclear projects after the cabinet endorses draft safety rules prepared by the Ministry of Environmental Protection and a bunch of nuclear power equipment makers are set to benefit from such a move.

"Technically, all conditions would be met after the State Council approves this new safety regulation," Zhao Chengkun, vice president of the China Nuclear Energy Association, said yesterday by telephone from Beijing. "I think it's good news for China's nuclear industry."

China suspended new nuclear projects after the March 11 earthquake and tsunami in Japan crippled the Fukushima Dai-ichi plant and prompted a global review of atomic energy plants. The State Council said approvals would be withheld until existing projects and those under construction are inspected and a stricter safety regime is in place. China's major nuclear power equipment makers, such as Shanghai Electric Group Co., Dongfang Electric Corp. and Harbin Electric Co., have seen their long-term contracts frozen from such a policy.

"The news is a step in the right direction in reigniting market sentiment for China's commercial nuclear development,"

Guo Shou, a Hong Kong-based analyst at Barclays Capital said in a research note yesterday. "A number of projects could be approved shortly after the restart and new equipment orders could come shortly after project approvals given the relatively long lead-time of production."

Safety Draft

The environmental protection ministry said in a statement on its website Dec. 12 that the new nuclear power safety regulation is ready and a draft would be submitted to the State Council after minor adjustments. The regulation outlines rules and goals for nuclear safety by 2020, the ministry said.

Zhao, whose association served as a consulting body in framing the legislation, said many of the new safety rules are tougher than earlier versions. Details of the regulation won't be published until the State Council approves the law.

"The central government has its own pace to process the matter," said Steven Lau, first deputy general manager of Daya Bay Nuclear Power Operations and Management Co. "The new safety standards will be in place for decades to come, so it's worth taking a longer time to figure everything out."

Daya Bay Nuclear Power operates six reactors in Guangdong's Daya Bay and hopes to get approval to add two more reactors, Lau said.

"We're not in a position to lead or push," said Liu Kaixin, Shenzhen-based spokesman at China Guangdong Nuclear Power Group, the nation's second-largest reactor operator.

"We're implementing whatever policy is being directed to us."

Pan Jianming, Beijing-based spokesman at China National Nuclear Corp., the country's largest atomic plant operator, didn't answer two calls to his office.

Capacity Goals

The National Energy Administration is drafting a separate nuclear power development plan, which will set goals for atomic capacity by 2020, Zhao said. New project approvals are unlikely to be delayed until the targets are decided, he said.

"It's a 10-year plan," Zhao said. "If more capacity is approved in the first few years, we can hold back a bit in the later years. I don't think there is a need for everyone to hold on for that guideline to be completed first."

China, which started operating its first commercial nuclear plant in 1994, is building at least 27 reactors and has 50 more planned, according to the association.

The country aims to install 70 gigawatts of nuclear capacity by the end of the decade, the National Energy Administration said last year. Li Yongjiang, another vice president at the association, told Bloomberg in October that the goal may be scaled back to between 60 gigawatts and 70 gigawatts.

China will limit the number of reactors to be built on the coast, the State Oceanic Administration said on April 7. The country, constructing more reactors than any other nation, has at least 14 atomic units in operation, according to data from the World Nuclear Association.

China's National Nuclear Safety Administration, a department of the environmental protection ministry, will increase the strength of its staff, including inspectors, to more than 1,000 from about 300. The U.S. Nuclear Regulatory Commission has almost 4,000 people overseeing 104 reactors, according to its website.

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