

Chinese business & finance**China's \$7tn energy overhaul sparks battery 'gold rush'**

Companies including sesame-dessert maker pivot to lithium batteries in rare bright spot for Chinese economy



Goldman Sachs has forecast that by 2030, China will require 70 times the battery storage levels it had in 2021 © Feature China/Future Publishing/Getty Images

Edward White in Seoul and **Gloria Li** in Hong Kong YESTERDAY

Chinese companies from foodmakers to tech start-ups are rushing into the country's energy storage sector, spurred by massive state spending on President Xi Jinping's plan to achieve energy independence.

The number of Chinese enterprises registered as energy storage companies has more than doubled in the past three years to nearly 109,000, according to data from Chinese companies information provider Aiqicha.

Yijing Wang, founder of Hangzhou-based 2060 Advisory, a cleantech-focused investment advisory firm, said there was a "gold rush", with a "dramatic" increase in the number of entrepreneurs, state-backed and private-sector investors targeting [battery](#) technologies and projects.

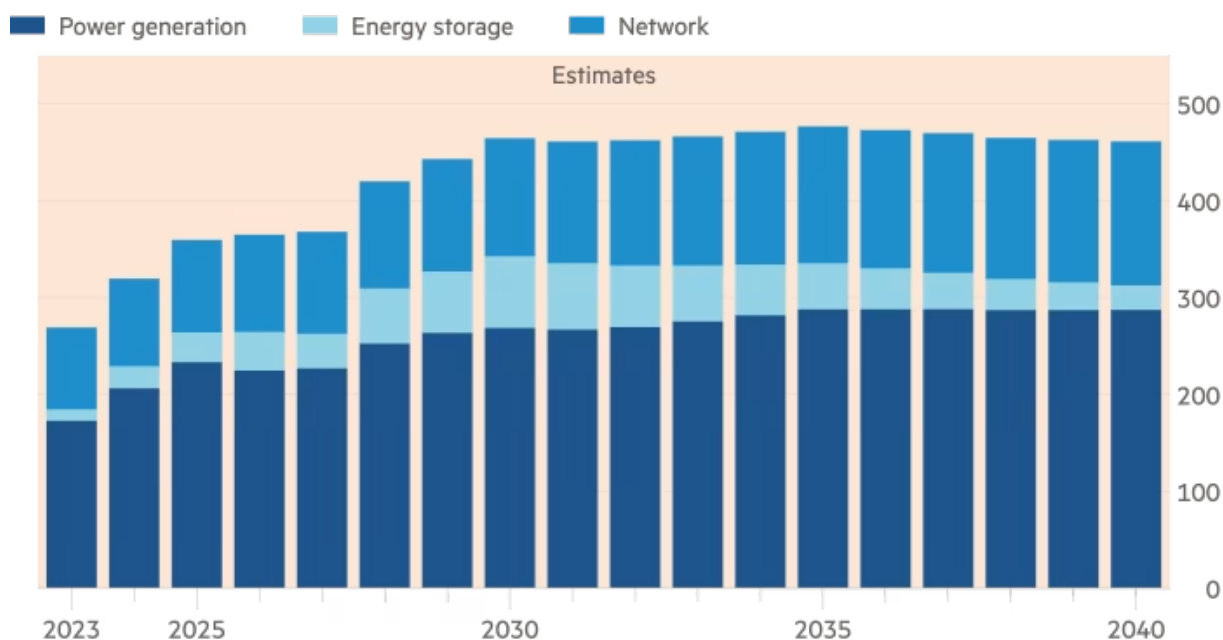
"We witnessed this change in only two to three years. This is an existing industry . . . but it wasn't sexy," she said.

Energy storage, which includes large battery packs for grid-level storage, is viewed as a key pillar in China's energy system overhaul after Xi [promised to cut net carbon dioxide emissions](#) to nearly zero by 2060 and to hit peak carbon before 2030.

Goldman Sachs forecasts that energy storage, opened up by China's energy policies, will be part of a more than \$7tn infrastructure investment opportunity through to 2040.

China's energy transformation forecast to spark \$7tn in investment

Power system investments (\$bn)



Source: Goldman Sachs
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However, there are fears of a boom-and-bust cycle in batteries as people without expertise chase state funding. In recent years, tens of thousands of companies have started developing electric vehicles and computer chips after the sectors were [prioritised for funding by Beijing](#). The energy storage rush has the same hallmarks.

In one example, China's largest puréed food manufacturer Nanfang Black Sesame Group said in March that Jiangxi Xiaohei Xiaomi Food, a wholly owned subsidiary of the Shenzhen-listed company, would pivot its business from food to energy storage and invest Rmb3.5bn (\$490mn) in building a lithium battery production base.

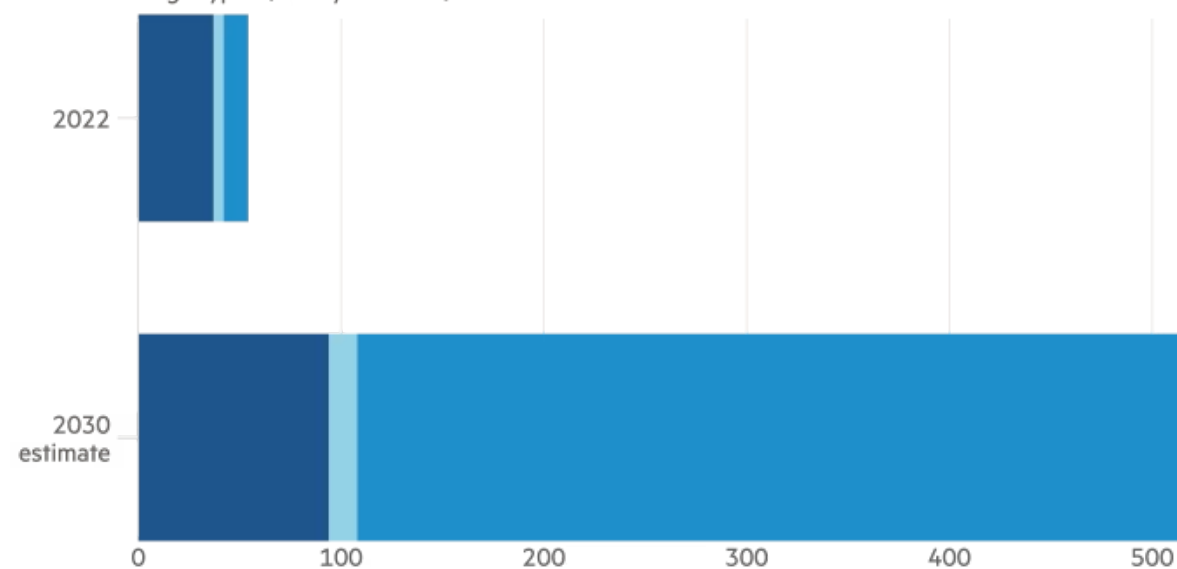
Battery technology supports the plan by the world's biggest polluter to cut coal use and deploy massive amounts of solar and wind power. It provides back-up when renewable energy sources do not produce sufficient electricity.

Goldman forecasts that [China](#) requires about 520 gigawatts of energy storage by 2030, with as much as 410GW coming from batteries. That reflects a 70-fold increase from battery storage levels in 2021.

China's energy storage expected to grow 70-fold this decade

GW

■ Pumped hydro by grid companies ■ Pumped hydro by non-grid
■ New storage types (mainly batteries)



Source: Goldman Sachs
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Nikhil Bhandari, co-head of Goldman's Asia-Pacific natural resources and cleantech research team, described energy storage as the “key enabler for renewables round the clock” in China.

2060 Advisory's Wang noted that many businesspeople in China are encouraged by the certainty provided by Xi's climate change commitments. It contrasts with the [regulatory uncertainty](#) that has beset previously popular growth industries for investors, including consumer-focused services and technology, as well as education.

There is also the broader backdrop of slowing global economic growth and a weakening outlook for the pace of China's recovery after the pandemic, adding to the sense that bright spots in the Chinese economy have become harder to find for investors, she said.

Neil Beveridge, an analyst with Bernstein in Hong Kong, said “overcapacity remains the greatest risk” facing investors buying into China’s battery value chain, although he noted that scale and technology would also likely “limit long-term winners to a narrow group of companies”.

Beveridge also pointed to US policy, which aims to cut American reliance on Chinese cleantech manufacturers, including battery makers. He said China’s isolation on the international stage appeared to be among “the biggest concerns for investors”.

“While China has lost the US market, it still dominates other markets and will be a leading player in Europe,” he added.

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