

Power plants to play a bigger role in Banpu's future



The 1,878-MW Hongsa power plant in Laos is nearing completion, with commercial operations scheduled to start in June this year.

As Asian economies continue to expand, incremental power demand is forecast to remain high until 2035 with the two major engines of economic growth, China and India, leading the pack.

According to the Asian Development Bank (ADB), total demand for electricity in China is expected to increase to 1,002 Gigawatts (Gw) by 2035, followed by India at 474Gw.

Closer to home, countries in the Greater Mekong Subregion (GMS) will require 163Gw while other countries in Asean will need 138Gw. The rest of the Asia-Pacific region (excluding Asean and the GMS) will need an additional 393Gw.

Banpu Plc, a long-established key player in power generation in Thailand, is looking to more than double its total regional electricity production capacity to 4,900 megawatts (MW) by 2017 and to 5,900 MW in subsequent years.

The increase in capacity will be driven by three plants operated by Banpu Investment (China) Co Ltd (BIC), the completion of the Hongsa power plant in Laos, and a fourth project in China, Shanxi Lu Guang.

"Our power business will continue to play a key role for sustainability and growth of the company," said chief executive officer Chanin Vongkusolkit.

"Power plants in Thailand and China generated revenues of US\$80 million in 2014, providing the needed cash flows to support the plunge in coal prices."

Last year the earnings before interest, taxes, depreciation and amortisation (EBITDA) of Banpu's power business rose 11% to \$105 million, or 16.3% of total EBITDA, while the figure for the coal business declined 6% to \$538 million.

In the future, the company aims to have a revenue mix of 50-60% from the coal business and 40% from the power business.

"In Thailand, we plan to upgrade our machinery and operations of the BLCP power station to higher technologies as this is the fastest and most practical way to decrease the amount of pollution," said Mr Chanin.

"In about two years or in 2017, we should have about 4,900 MW or 2,250 equity megawatts based on our shareholding percentage in each project."



Chief financial officer Somruedee Chaimongkol will succeed Chanin Vongkusolkit as Banpu's CEO in April this year.

Banpu, which holds a 50% stake in the BLCP power station in Map Ta Phut Industrial Estate in Rayong province, is preparing to expand its capacity by 1,100 MW, raising the total to 2,534 MW. The expansion, which will be completed after 2017, is being undertaken with its joint-venture partner Electricity Generating Plc (EGCO).

In Laos, the \$3.7-billion Hongsa lignite-fired power plant is almost completed with commercial operations expected to start in June this year. Banpu and Ratchaburi Electricity Generating Holding Plc each hold a 40% equity stake in the power plant and the Lao government holds 20%.

The company plans to spend \$149 million at Hongsa this year and another \$192 million in 2016 when it expects to start fully realising profits from the 1,878-MW plant, said chief financial officer Somruedee Chaimongkol, who will succeed Mr Chanin as CEO in April.

"From 2016, we expect to generate [annual] revenues from Hongsa of \$50-60 million, which would add to the revenues from the coal-fired power plants in Thailand and China to reach \$140 million annually," added Mr Chanin.

In China, the three plants operated by BIC — Luannan, Zhengding and Zouping — generate 1,200 Mw and recorded higher profits last year due to improved operations.

Chief operating officer Voravudhi Linananda said the company was now developing the \$820-million Shanxi Lu Guang plant with a planned installed capacity of 1,200 MW. The plant is a joint venture in which BCI holds 30%, while Shanxi Lu'an Mining Corp Ltd and Gemeng International Energy Co Ltd each hold 35%. Commercial operation is expected to start in mid-2017.

Shanxi Lu Guang will be equipped with a high-efficiency coal boiler that burns lower-grade coal, ultra-supercritical air cooling power generating units, and other environmental protection equipment.

Banpu also plans to continue its regional diversification in power generation and unlock the full value potential of the business through renewable energy including solar, wind and biomass in many countries in Asia Pacific.

"The construction of renewable energy plants requires less cost compared with thermal-coal power plants and require shorter construction time while yielding quicker profits," said Ms Somruedee.

Mr Chanin said that Banpu had not set any target for renewable energy as a proportion of total generation, adding that reducing carbon emissions of its coal-fired plants by way of new technologies was a major focus for now.

He also said that cost and yields remained the main limitations on renewable energy. "Although the cost of alternative energy has come down over the years, it is still considered very expensive. There are many limitations for alternative energies in terms of usage and practicality."

For solar energy and hydropower, yields per acre are still minimal and the stability of the inputs is not very reliable. "Coal-fired power plants present a more stable source of energy while keeping your electricity bills low," he added.

To raise funds for its various projects, Banpu plans an initial public offering (IPO) for Banpu Power on the Stock Exchange of Thailand this year or early next year.

Ms Somruedee said that Banpu would continue to hold a controlling interest of more than 50% in the power subsidiary after the IPO.