Flash Note: Electric Equipment Sector
快讯：电力设备行业

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Comments on French Nuclear Waste Plant Explosion.
关于法国核电废料处理厂爆炸事故评论

- **French nuclear waste plant explosion.** On September 12 afternoon(France local time), there was an explotion at southern French nuclear waste plant, which located at marcoule site, causing one person death and four injured. The cause of the explosion is not yet known. According to Medias, Ma Kule nuclear power nuclear waste disposal center has two nuclear waste treatment furnaces. The blast happened in a furnace used to burn waste, including fuels, tools and clothing which had been used in nuclear energy production but had only very low levels of radiation. France's ASN nuclear safety watchdog declared the incident over but has launched an inquiry. As of now, there had been no leak of radiation, neither inside nor outside the plant. In additon, none of the injured workers was contaminated by radiation. Electricite de France (EDF) stated that the explosion was a "classic industrial accident", not a nuclear power plant accident. The nuclear waste treatment plant site is 30km from the French city of Avignon, about 80 km from the Mediterranean coast.
- **Uncertainties increased with unclear power.** After the Fukushima No. 1 nuclear power plant accident, many countries are adjusting their nuclear power development plans. For example, the United States and China has suspended approval of new nuclear power plants; Germany and Italy decided to gradually abandon the use of nuclear power. Market was conservative about the future development of nuclear power. After the nuclear accident in France, due to 1) More countries may state to adjust the energy development policy; 2) nuclear power-related industries will be subject to more stringent safety regulation, we believe the development of nuclear power to be negative impacted. The market may hold a bearish view on nuclear power sector with higher uncertainties in the sector.
- **IAEA optimistic about the future development of nuclear power.** On September 12, International Atomic Energy Agency (IAEA) has updated its projections concerning the outlook for nuclear power in the wake of the Fukushima Daiichi accident (phase-out of nuclear power in Germany, Some governments were reviewing of the planned plan and temporary delays in expansion). They were now expect the number of operating nuclear reactors in the world to increase by about 90 by 2030, in our low projection, or by around 350, in our high projection, compared to the current total of 432 reactors. This represents continuous and significant growth in the use of nuclear power, but at a slower growth rate than in our previous projections. IAEA still optimistic about the future development of nuclear power.
- **Valuation on pressue.** Although the accident is not a nuclear power plant accident, no radiation leak and the casualties, the governments is extremely cautious on nuclear power industry after Japan nuclear accident. Considered with the nuclear power plant accident could negative impact on the global nuclear industry, and may also caused delay of nuclear power plants construction globally, the nuclear power equipment sector’s valuation would under pressue. We believe that China's long-term development process of nuclear power would not be affected by the accident. However, under the negative impacts on French accident, we believe the sector’s valuation under pressure in the short term. We maintain our industry investment rating of "neutral". We recommend investors to buy Dongfang Electric (1072 HK) and accumulate Harbin Electric (1133 HK) on dips.

- **法国发生核电废料处理厂爆炸事故。**在法国当地时间 9 月 12 日下午，法国东南部马库勒核电站附属核废料处理中心的熔炉发生爆炸事故，最终造成 1 人死亡 4 人受伤，爆炸的原因尚不清楚。根据媒体报道，马库勒核电站核废料处理中心共有两座核废料处理炉，发生事故的熔炉平时主要处理低放射性或极低放射性的金属废料。根据法国核安全局发表公报，该起核废料处理炉爆炸事故已于当日下午结束，该局解除了有关的应急响应，在事故现场没有发现放射性物质泄漏，现场的伤员和救援人员也没有受到辐射。法国电力公司表示，该起事故归结为一起工业事故而不是核事故。核电废料处理厂爆炸地点离法国城市阿维尼翁有大约 30 公里的距离，离地中海海岸大约 80 公里。

- **核电发展的不确定性增加。**继日本核电站事故后，许多国家正在对核电发展计划进行调整。例如，美国和中国等已暂停审批新的核电厂；德国，意大利等决定逐步放弃使用核电。市场已经对核电等的未来发展速度持非常谨慎的态度。在法国核事故发生后，由于 1）预期更

多国家可能会再次调整能源发展政策；2）核电相关产业将受到更加严格的安全规管，我们认为核电发展速度或再次受到影响。由于核电发展的不确定增加，市场将短期内或将再次看空核电板块。

- **国际原子能机构对核电未来发展保持乐观。**国际原子能机构在 9 月 12 日发布的新闻稿中表示，在考虑福岛第一核电站事故的影响（包括德国等国家加速淘汰核电；中国等国家在完成安全审查前停止审批新项目；日本等国家调整其未来能源结构）后更新了其对全球核电行业发展的预测。目前，国际原子能机构预计到 2030 年，全球经营核反应堆的数量将增加 90 个（最低预测）至 350 个（最高预测），行业增速较之前放缓。但是，现在全球共有 432 个正在运营核反应堆，我们认为国际原子能机构对新增核电站数量的预测表明了他们对核电行业未来发展依旧保持乐观。

- **电力设备板块估值将继续受压。**虽然此次核电事故并非核反应堆事故，也没有辐射泄漏及重大伤亡，但核电行业在经过日本核电事故之后，各国政府对行业发展极其谨慎。所以，我们认为此次核电废料处理厂事故可能再次冲击全球核能产业，或导致许多核电站建设计划搁置或建设延缓。虽然我们认为中国核电的长期发展进程速度并不会受到此次核电事故的影响，但受法国核电事故有的影响，我们认为电力设备板块估值将在短期内持续受压。我们维持行业“中性”的评级。目前我们建议逢低买入基本面较强东方电气（1072 HK），建议投资者逢低收集估值较低的哈尔滨电气（1133 HK）。

Table-1: nuclear power penetration rate

2009	No. of reactors	Installed capacity (GW)	Nuclear power Percentage (%)
US	104	101	20
France	58	63	76
Japan	54	48	27
Russia	31	22	17
Germany	17	14	23
U Kraine	15	13	43
Canada	18	13	14
China	13	10	2

Source: World Nuclear Association, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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