China Sustainability

El Niño on climate, food and power

Equities

Asia Pacific

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El Niño: Selective hydro upside, limited read-through to food inflation

We examined historical El Niño impact on China's climate, agriculture and power sector, comparing the 2015–16 and 2023–24 episodes with outlook into 2027. Our main conclusion is that forecast warmer conditions and increased rainfall in parts of southern China could benefit selected hydropower assets, while the historical evidence shows no clear, consistent link to broad food inflation in China. China Power's downstream Yuan River assets offer our preferred hydro exposure among the three covered hydro companies. This report complements the Global ESG team's ongoing physical risk series, covering US, Europe and El Niño research on Japan, Australia and Malaysia.

Climate implications expected to extend into 2027

The National Climate Center confirmed on 9 October that a very strong El Niño had formed in September and expects a peak in late autumn or early winter. Its seasonal outlook points to wetter conditions across central and eastern China in Oct–Nov, including rainfall 50–80% above normal in Jiangnan and eastern Southwest China. Winter 2026–27 is expected to be warmer and wetter. The event is forecast to weaken and end in spring–summer 2027, while China remains exposed to higher temperatures and stronger, more widespread summer heatwaves. However, the timing, location and intensity of these effects remain difficult to predict. El Niño interacts with a changing climate, adding uncertainty to an already evolving physical risk environment.

No consistent evidence that El Niño alone predicts a weaker Chinese harvest

According to our analysis, in prior periods, El Niño alone does not provide a reliable basis for forecasting higher national food inflation. Annual food CPI rose 4.6% in 2016 but fell 0.6% in 2024, while food prices were 0.8% lower year on year in January–August 2026. Historical crop outcomes were also mixed as total grain production was actually up 2 out of 3 past El Niño years. We think the food system in China is relatively resilient as >90% of the grain (rice, wheat, maize) is produced domestically. However, adverse weather overseas can raise the costs of imported soybeans, palm oil and sugar.

Selective hydro assets could benefit based on historical rainfall patterns

Our hydro analysis maps selected assets of China Power, Yangtze Power and SDIC Power alongside river geography, and compares annual and H1 (January–June) rainfall in the three following years. China Power's downstream Yuan assets remain our preferred exposure: Hunan was wetter on both measures in all three years, with H1 rainfall 25.7%, 3.6% and 18.4% above normal in 1998, 2016 and 2024. Sichuan and Yunnan were also wetter in all three H1 periods, supporting potential benefits for Yangtze Power's Jinsha plants and SDIC Power's Yalong cascade. Their annual rainfall was below normal in 2024, so the early-year signal need not persist.

Related El Niño related research

- Global Sustainability "El Niño Update Research Navigator" Miyata
- APAC Sustainability "Malaysia & El Niño: mapping the sector impacts" Brunton
- APAC Sustainability: "El Niño: Weathering the Impact on ANZ equities and APAC imports" Brunton
- Americas Sustainability "El Niño in LatAm - From Climate Risk to Cross-S..." Carvalho
- APAC Sustainability "El Niño: Expected Country Company Impacts" Miyata

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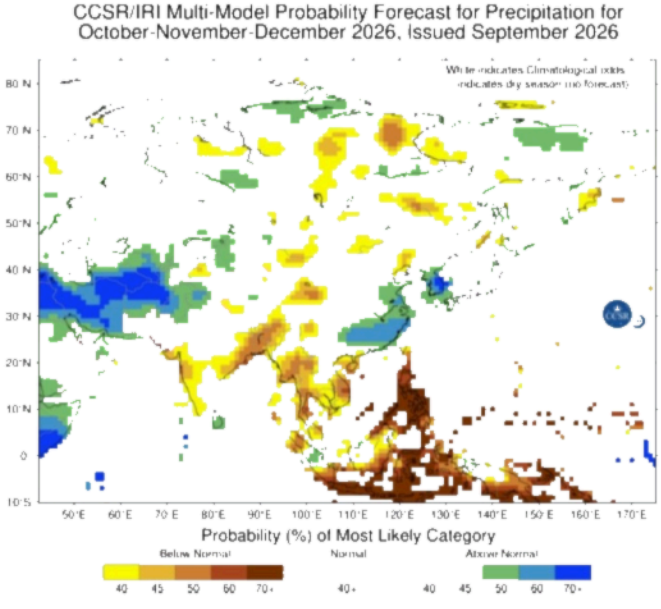
How could El Niño affect climate in China?

El Niño is unusual warming in the central and eastern tropical Pacific that impacts winds and the East Asian monsoon, the seasonal wind system carrying moisture into China. Generally, El Niño can favour wetter conditions in parts of southern China and drier conditions in parts of northern China. A weaker East Asian summer monsoon can keep the main rain belt farther south, increasing southern flood risk and reducing rainfall farther north. This is a broad tendency rather than a forecast for every province.

El Niño is strengthening and China risks extend into 2027

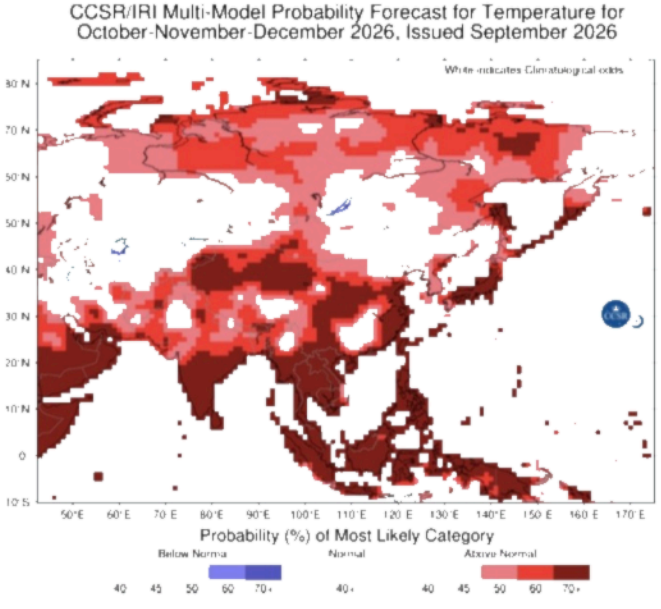
NOAA's 10 September outlook put the chance of a very strong event above 90%. These forecasts describe Pacific ocean warming, rather than a rise in China's air temperature or a forecast of local losses. At the China Meteorological Administration's 29 September 2026 briefing, National Climate Center director Chao Qingchen said El Niño conditions began in May. The Center expects its Pacific monitoring index to peak around November at 3.2–3.5°C above its usual level and the event to end in spring–summer 2027. The CMA outlook points to rainfall 50–80% above normal in October–November across much of Jiangnan, south of the Yangtze, and locally in eastern Southwest China. Parts of Inner Mongolia and Northwest China may be drier. Winter is expected to be warmer and wetter overall, with slightly more frequent cold waves. Summer heat in 2027 may be stronger and more widespread.

Figure 1: APAC Precipitation Outlook for El Niño



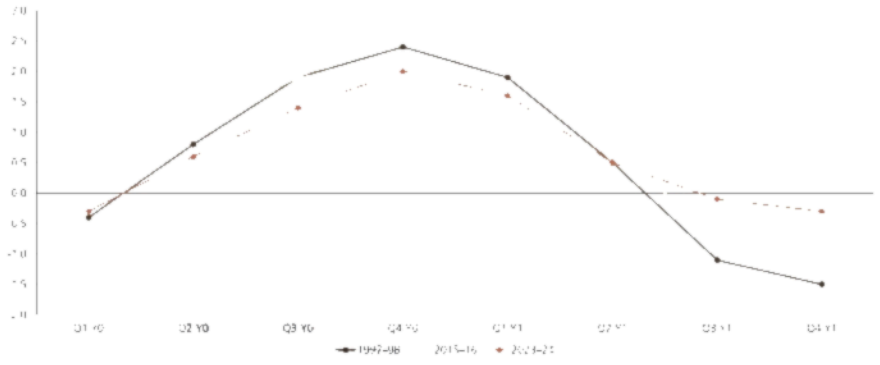
Source: CCSR/RI

Figure 2: APAC Temperature Outlook for El Niño



Source: CCSR/RI

Figure 3: Weather effects can outlast the El Nino peak (Three historical events, aligned by calendar quarter. ONI in °C)



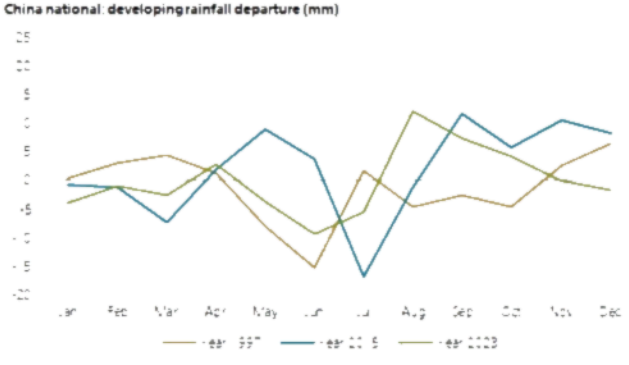
Source: NOAA

Historical rainfall was more consistently above normal after the peak

We compare the developing years 1997, 2015 and 2023 with the following years 1998, 2016 and 2024. The charts label these Y0 and Y1 respectively. Full calendar years include months before onset or after the event ends. ONI, the Oceanic Niño Index, measures Pacific sea temperatures relative to their usual level. Q1–Q4 refer to the four calendar quarters. The historical comparisons show observed conditions, rather than El Niño's causal contribution.

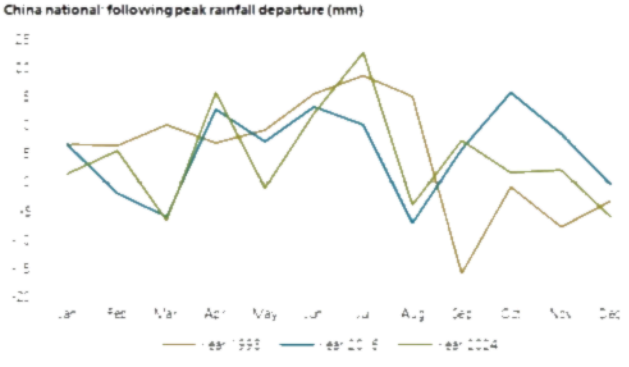
The three selected following years were wetter than normal nationally. Annual rainfall was 10.1% above normal in 1998, 10.6% above in 2016 and 8.5% above in 2024. June–August rainfall was also higher in all three, by 15.6%, 5.2% and 9.8%. Developing years had a less consistent pattern. This supports watching for rain and flood risk after the peak, while assessing each region separately.

Figure 4: Developing year rainfall varied across historical events



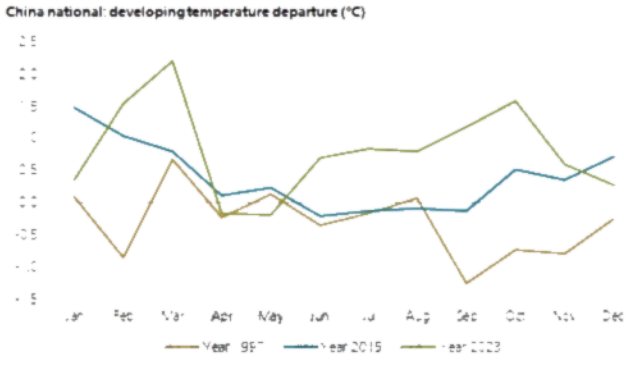
Source: World Bank Climate Change Knowledge Portal (CCKP)

Figure 5: Following year rainfall mostly consistent above normal level



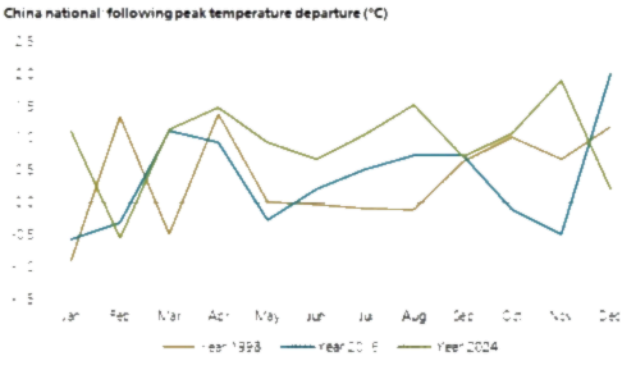
Source: World Bank Climate Change Knowledge Portal (CCKP)

Figure 6: Figure 7: Developing year temperature more consistently above normal in recent events



Source: World Bank Climate Change Knowledge Portal (CCKP)

Figure 8: Figure 9: Following year temperature consistently above normal



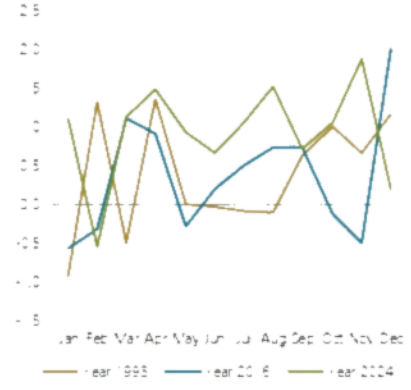
Source: World Bank Climate Change Knowledge Portal (CCKP)

Warmer averages can still include cold spells

Temperature was less consistent month by month than a warm annual average suggests. Hubei in 2024 was 1.2°C below its February normal but 2.3°C above its August normal. National summer temperature was close to normal in 1998 and about 1.1°C above normal in 2024. The recent warmer background therefore coexisted with local cold spells.

The historical charts use a 1991–2020 average and retain the long-term warming trend. They show the temperatures businesses experienced, combining background warming, El Niño and other weather influences. They cannot measure warming caused by El Niño alone.

Figure 10: China national: following peak temperature departure (°C)



Source: World Bank Climate Change Knowledge Portal (CCKP)

Figure 11: Hubei: following peak temperature departure (°C)



Source: World Bank Climate Change Knowledge Portal (CCKP)

Figure 12: Heilongjiang: following peak temperature departure (°C)



Source: World Bank Climate Change Knowledge Portal (CCKP)

Could El Niño lead to food inflation in China?

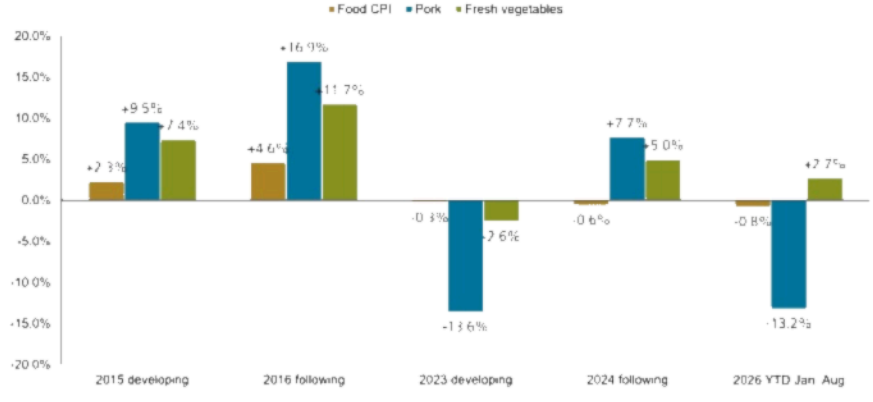
The historical evidence does not show a consistent inflation effect

El Niño has not consistently coincided with higher food inflation in China. Food CPI, the food component of the consumer price index, rose 2.3% in 2015 and 4.6% in 2016, but fell 0.3% in 2023 and 0.6% in 2024. In January–August 2026 it fell 0.8% from the same months of 2025. Pork prices fell 13.2%, while fresh vegetables rose 2.7%. Weather is one influence alongside demand, supply and the pork cycle. The evidence does not support a broad food-inflation forecast from El Niño alone.

Local heat or flooding can raise individual food prices even when the annual food basket falls. In August 2024, fresh vegetables cost 21.8% more than a year earlier and 18.1% more than in July. NBS linked the monthly increase to heat and local heavy rain, yet food prices fell over 2024 as a whole.

In August 2026, NBS reported fresh vegetable prices up 5.5% from July, citing heat, rain and seasonal crop replacement. Food CPI rose 0.4% on the month but remained 1.4% below a year earlier. The monthly weather pressure therefore coexisted with annual food deflation. It cannot be attributed to El Niño alone.

Figure 13: Food and selected food-category price changes



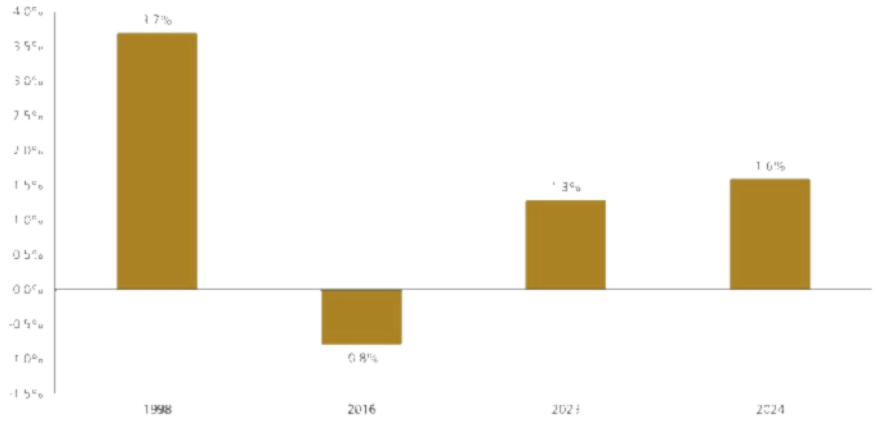
Source: NBS

National harvests can hold up despite local damage

China's national harvest remained relatively resilient across the selected events, even when some regions suffered serious damage. Grain output rose 3.7% in 1998, fell 0.8% in 2016, and rose 1.3% in 2023 and 1.6% in 2024. Gains in one crop or region can offset losses elsewhere. National tonnage can also mask lower crop quality, which matters to farmers, insurers and food buyers.

NBS reported grain growth of 0.9% in 2020 despite severe southern flooding. China's emergency-management agency reported CNY370.15bn of direct damage from all natural disasters that year. This broader figure includes more than flooding and more than insured damage; it should not be presented as an El Niño loss.

Figure 14: historical grain production growth, % YoY



Source: NBS

Individual crops had different outcomes. In 1998, rice output fell 1.0% and wheat 11.0%, while maize rose 27.5%; NBS linked maize growth to favourable autumn conditions and more planting. Rice and wheat fell in 2023 while maize grew, and all three increased in 2024. In 2016, NBS reported CNY313.4bn of direct flood and geological-disaster damage, and 26.22m hectares of crops affected by all disasters. The available 2026 results are mixed: summer grain rose 0.7%, including a 0.6% rise in summer wheat, while early rice fell 0.8%. Full-year grain, total rice and maize figures were not yet available at the report's data cutoff.

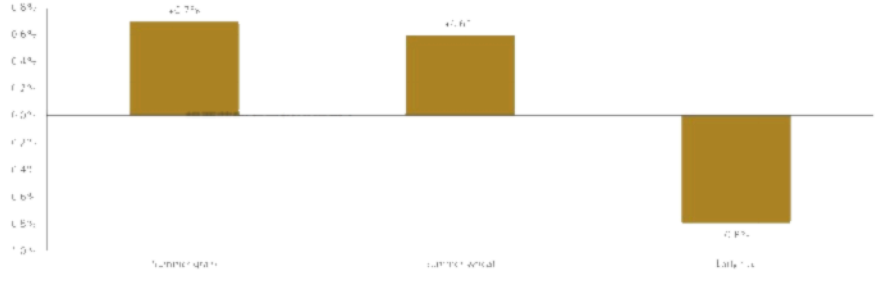
The National Climate Center's 29 September briefing warned that wet autumn weather could disrupt late-rice maturity, harvesting and drying. Spring–summer 2027 rain could also affect rice and rapeseed. These are risks to specific crops, rather than a forecast of lower national grain output. Quality losses can raise costs even when tonnage holds up, so food and feed buyers need to monitor the relevant crop, source region and inventories.

Figure 15: National production growth, % YoY

Year	Total grain	Rice	Wheat	Maize
1998	+3.7%	-1.0%	-11.0%	+27.5%
2016	-0.8%	-0.6%	-1.0%	-2.3%
2023	+1.3%	-0.9%	-0.8%	+4.2%
2024	+1.6%	+0.5%	+2.6%	+2.1%

Source: NBS

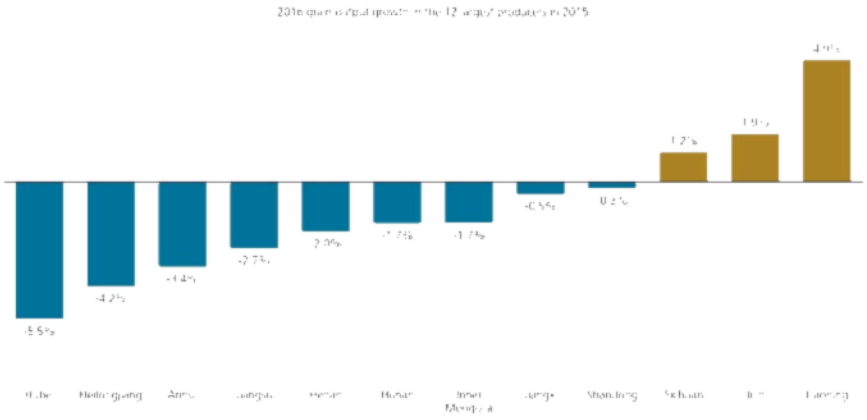
Figure 16: 2026 reported seasonal harvest growth



Source: NBS

Several important grain regions had much larger declines than China's 0.8% national fall in 2016. Comparing the original NBS releases, Hubei fell 5.5%, Heilongjiang 4.2% and Anhui 3.4%. Liaoning rose 4.9%, Jilin 1.9% and Sichuan 1.2%. The chart uses the 12 largest producing provinces in 2015, so the sample was not chosen according to their subsequent performance.

Figure 17: 2016 grain output growth in the 12 largest producers in 2015



Source: NBS

Domestic staple supply provides a buffer

Rice and wheat mainly supply domestic food demand, while maize is primarily used for animal feed. Raw-grain exports are small relative to domestic use. Local crop damage therefore matters first through farmer incomes, crop quality, food and feed costs, and possible import requirements. It does not translate automatically into a large loss of China's grain exports.

China's large domestic staple supply limits direct reliance on overseas rice and wheat harvests. At his 8 March 2025 interview, agriculture minister Han Jun said rice and wheat staple-food self-sufficiency had long exceeded 95%, and cereals excluding soybeans remained above 90%. He identified feed grain as the main gap. These are category-level statements, not separate self-sufficiency rates for rice, wheat and maize or calculated 2026 ratios.

Overseas weather can raise imported ingredient costs

Imported ingredients provide a second route from weather to food costs. Palm oil has a clearer drought exposure in Southeast Asia, while South American soybean regions have mixed rainfall responses. The table identifies suppliers from dated trade evidence; it does not assume the same 2026–27 crop loss across countries.

Malaysia's Palm Oil Board reported that crude palm-oil production fell 13.2%, from 19.96m tonnes in 2015 to 17.32m in 2016, following prolonged El Niño-related dryness from late 2015 into early 2016. This supports monitoring supply after the weather peak; it is not a forecast of a similar decline this time.

Global prices also depend on competing exporters. FAO identifies drought risk across Thailand and parts of South and Southeast Asia. A weaker crop elsewhere can affect China's import bill even if Brazilian shipments remain available. Export policy, inventories and demand can offset or amplify the weather effect.

Australian grain needs particular attention because El Niño often brings drier winter–spring conditions to central and eastern Australia. Other suppliers have different regional responses. Match forecasts to the growing season: winter cereals and summer feed crops face different weather windows.

Figure 18: Major imported food and potential supply disruption risk

Import	Supplier evidence	Weather risk to monitor
Maize	Brazil supplied about 61% of China's 2025 corn imports. Russia, Myanmar and Ukraine were other suppliers.	Brazilian crop areas and seasons differ. Monitor planting, soil moisture and exportable output; do not assign one drought assumption to all suppliers.
Barley and sorghum	Barley: Australia and Argentina, then France and Canada seasonally. Sorghum: United States, Australia and Argentina are established sources.	Australia has a clearer dry-weather tendency. Argentina may benefit from rain that helps excess moisture. Other origins require local forecasts.
Wheat and rice	Wheat supplier base includes Australia, Canada, United States and France. Asian rice suppliers include Thailand, Vietnam, India and Pakistan. These are source options, not fixed 2026 shares.	Australian wheat can face growing-season dryness. Asian rice faces drought and irrigation risks; export restrictions may amplify global prices.
Milk powder and other dairy	New Zealand is a traditional supplier. Australia and the EU are also major sources.	New Zealand tends to be drier in the northeast and wetter in the west/south. Assess dairy-farm regions, pasture and supplement/feed costs.
Beef	Brazil is China's leading supplier in the cited USDA assessment.	Pasture and feed exposure vary by region. Herd decisions can shift the impact between near-term slaughter supply and later production.

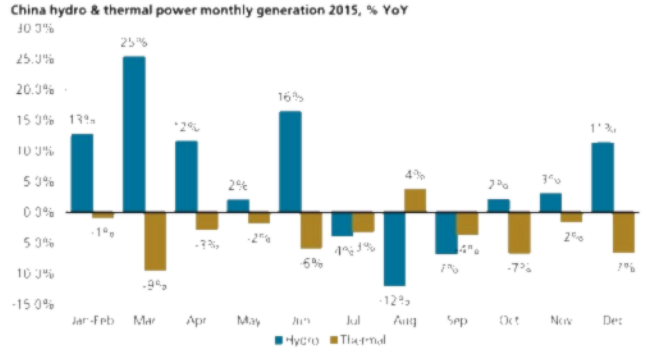
Source: USDA, World Bank

How could El Niño impact the power sector in China?

When rivers provide more water, hydropower can increase and reduce demand for thermal power. This happened consistently in the following year (2016, 2024) of the last 2 El Niño events. National Bureau of Statistics (NBS) data illustrated that in May 2024 hydro rose 38.6% and thermal fell 4.3%.

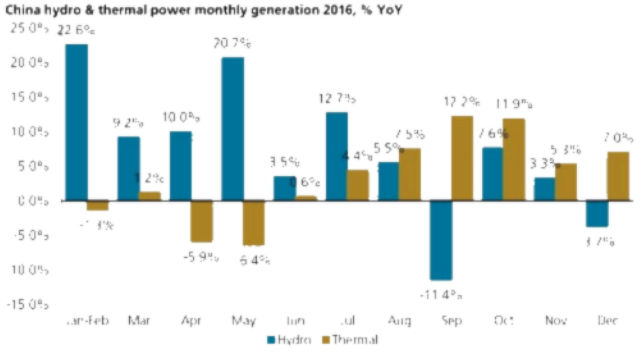
Our historical comparisons show periods of hydro strength and thermal weakness in the H1 of year following the peak El Niño year, but not a consistent relationship on a full year basis throughout every El Niño event. In April 2016, hydro generation increased 10.0% YoY while thermal output fell 5.9%. In July 2024, hydro rose 36.2% while thermal declined 4.9%. These periods illustrate how stronger hydro can reduce the need for thermal generation. However, both hydro and thermal output increased over full-year 2016, showing that electricity-demand growth can support both sources. Thermal generators could face lower utilisation, although the earnings impact will depend on fuel costs and electricity prices. Higher hydro output can reduce the hours coal plants operate and, where market conditions allow, put pressure on wholesale electricity prices.

Figure 19: 2015 developing year showed strong hydro power generation in H115 offsetting thermal



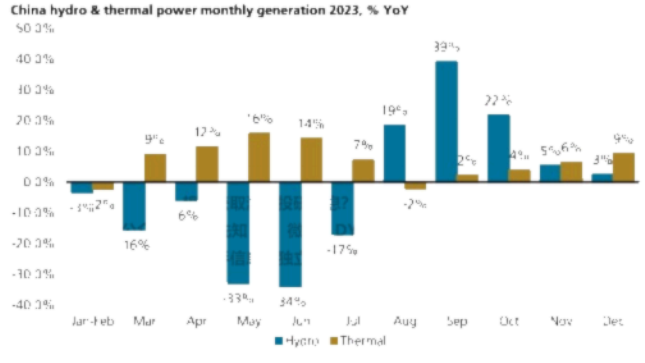
Source: National Bureau of Statistics of China (NBS)

Figure 20: 2016 following year showed strong hydro power generation in H126 offsetting thermal



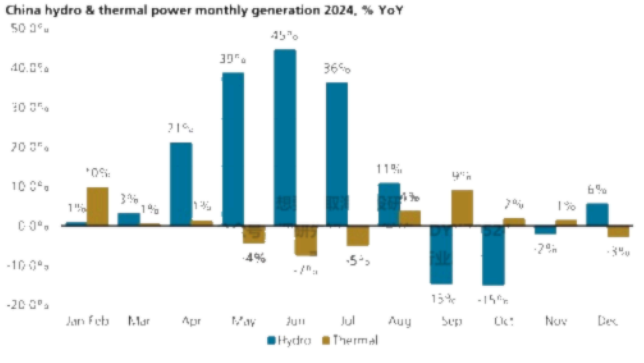
Source: National Bureau of Statistics of China (NBS)

Figure 21: 2023 developing year had weaker hydro generation in H123 requiring more thermal power



Source: National Bureau of Statistics of China (NBS)

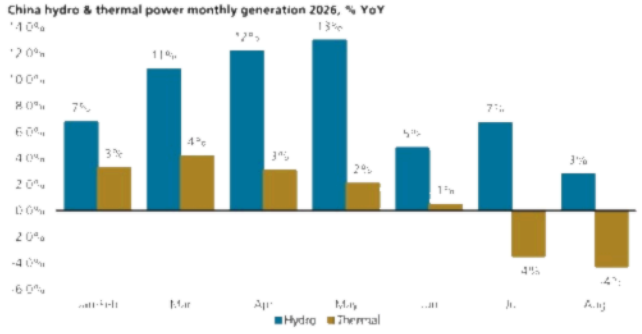
Figure 22: 2024 following year showed strong hydro power generation in H124



Source: National Bureau of Statistics of China (NBS)

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Figure 23: 2026 monthly hydro generation YoY growth is consistent while thermal power generation declined since Jul26 despite summer power demand peak



Source: National Bureau of Statistics of China (NBS)

Among **China Power**, **Yangtze Power** and **SDIC Power**, we see the clearest potential rainfall benefit to **China Power**'s Wuling assets on the Yuan River, particularly Wuqiangxi and Lingjintan. China Power's downstream Yuan assets remain our preferred exposure because Hunan rainfall was above normal on both annual and H1 measures in 1998, 2016 and 2024. H1 departures were +25.7%, +3.6% and +18.4%, respectively. Sichuan and Yunnan also had wetter H1 periods in all three years, broadening the potential benefit to the Jinsha and Yalong assets. Their negative annual readings in 2024 show why an early-year benefit should not be assumed to last.

The four lower-Jinsha plants have 46.46 GW of capacity: Wudongde 10.20 GW, Baihetan 16.00 GW, Xiluodu 13.86 GW and Xiangjiaba 6.40 GW. They represent 65% of **Yangtze Power's** 71.695 GW across its six domestic stations. This is a capacity share, not a share of earnings or annual generation. Three Gorges and Gezhouba have a broader upper-Yangtze catchment, including the Jinsha, Yalong, Min and Jialing systems. Rain reaching the Yuan and Dongting below both dams cannot add to their upstream inflows.

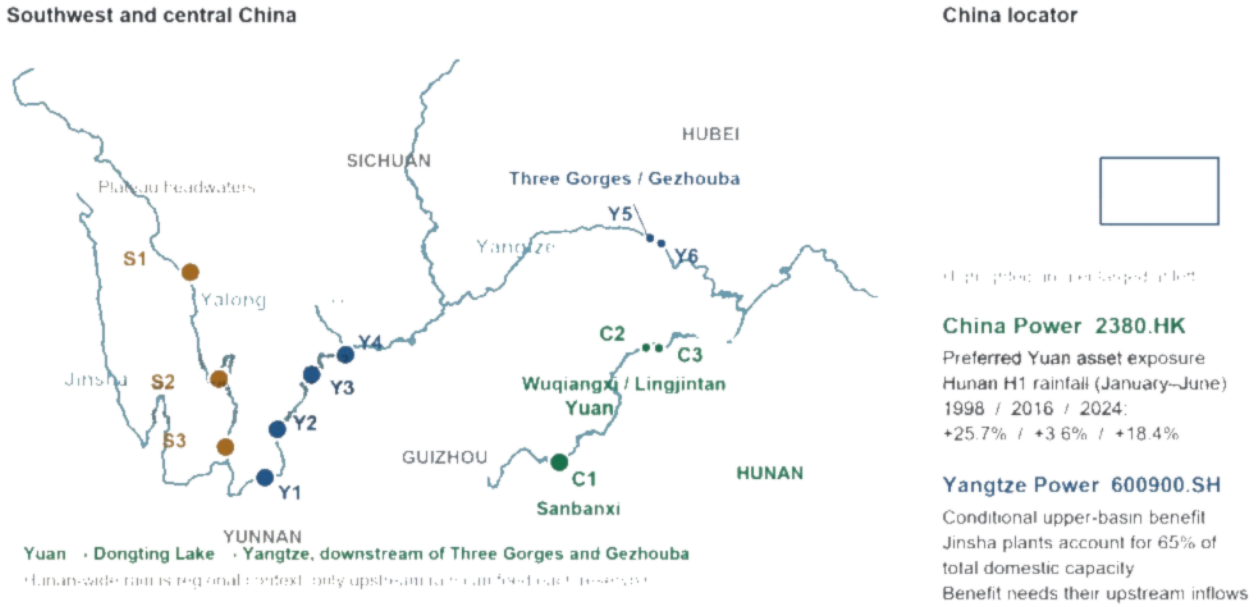
For **SDIC**, Lianghekou, Jinping and Ertan sit on the Yalong River in western Sichuan, with headwaters extending into Qinghai. Sichuan H1 rainfall was above normal in all three years, by 3.6%, 22.0% and 2.2%, supporting a potential early-year benefit. Qinghai H1 rainfall was below normal in 1998 and 2016 and above in 2024, while Sichuan's annual rainfall was 9.0% below normal in 2024. We therefore see conditional H1 upside for the Yalong cascade, with its own upstream inflows and usable stored water providing confirmation. Hunan rainfall does not supply these catchments.

Figure 24: Key listed hydro assets exposure and catchment link

Listed exposure and assets	Catchment link	Historical evidence
China Power 2380.HK Wuling: Wuqiangxi and Lingjintan; Sanbanxi, Jinzhushan	Yuan River across Guizhou and Hunan. Downstream assets capture a broader basin. Sanbanxi is on the upper Qingyuan tributary	Hunan annual and H1 rainfall above normal in all three years. Jan-May 2024 inflows: Wuqiangxi +108.8%, Sanbanxi +290.4% YoY
Yangtze Power 600900.SH Three Gorges and Gezhouba	Upper Yangtze above the dams, including Jinsha, Min and Jialing. Dongting and Poyang enter downstream	Sichuan and Qinghai H1 rainfall above normal in all three years. Three Gorges full-year 2024 inflows +8.1% YoY
Yangtze Power 600900.SH Wudongde, Baihetan, Xiluodu and Xiangjiaba	Listed upstream areas on Yalong and Jinsha rivers and plateau headwaters	Sichuan and Yunnan H1 rainfall above normal in all three years. Annual rainfall below normal in 2024. Wudongde full-year 2024 inflows +9.2% YoY
SDIC Power 600886.SH Yalong cascade: Lianghekou, Jinping and Ertan	Western Sichuan and Qinghai headwaters. Lianghekou, Jinping and Ertan	Sichuan H1 rainfall +3.6%, +22.0%, +2.2% in 1998, 2016, 2024. Qinghai H1 readings were mixed

Source: Company announcement, NBS

Figure 25: Major hydro power assets map



China Power 2380.HK

Preferred Yuan asset exposure
Hunan H1 rainfall (January–June)
1998 / 2016 / 2024:
+25.7% / +3.6% / +18.4%

Yangtze Power 600900.SH

Conditional upper-basin benefit
Jinsha plants account for 65% of total domestic capacity
Benefit needs their upstream inflows

SDIC Power 600886.SH

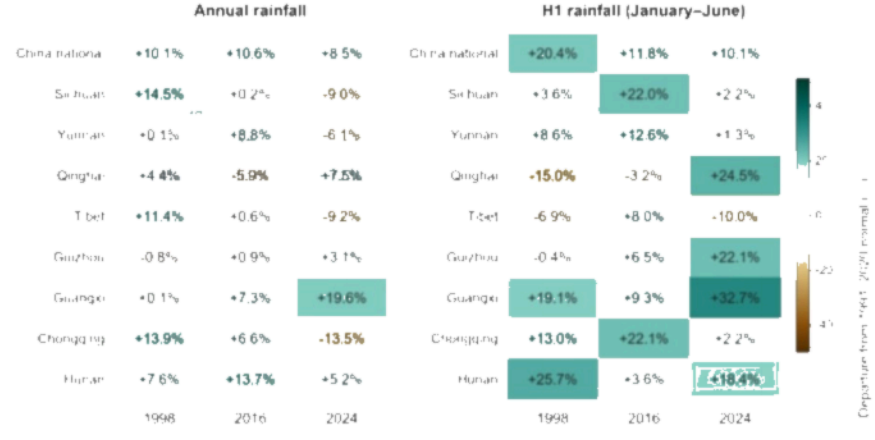
Conditional H1 benefit to Yalong
Needs upstream inflows and storage
Sichuan H1 rainfall (January–June)
1998 / 2016 / 2024:
+3.6% / +22.0% / +2.2%

Source: Company announcement, World Bank, NBS

H1 rainfall was above normal nationally and in Hunan, Sichuan and Yunnan in each selected following year. The annual comparison is more mixed: Sichuan, Yunnan and Chongqing were drier than normal in 2024 despite wetter H1 periods. The table separates early-year conditions from the full-year outcome. Provincial averages provide regional context; they do not measure rain within individual reservoir catchments.

China Power's downstream Yuan assets remain our preferred exposure because Hunan was wetter in all three years on both annual and H1 measures, alongside the disclosed 2024 inflow recovery. Guizhou H1 rainfall was slightly below normal in 1998 and above in 2016 and 2024; Sanbanxi's upper-Qingshui location therefore warrants its own inflow check. Sichuan and Yunnan's three positive H1 readings also support potential early-year benefits for the Jinsha and Yalong assets. Their 2024 annual deficits and the mixed Qinghai and Tibet H1 readings temper a sustained uplift assumption.

Figure 26: Historical rainfall the year after El Niño in China shows wetter Hunan while Sichuan could be inconsistent



Source: World Bank, NBS

Valuation Method and Risk Statement

The immediate risk in relation to the subject matter covered by UBS's Global Sustainability Team arises from a lack of definition in the field, reflected in the many names and acronyms in use by practitioners: sustainability; responsible investment (RI); socially responsible investment (SRI); ESG (environmental, social and governance) investment; ethical investing, impact investing, etc. The field covers an enormous range of potential issues and, over time, their importance fluctuates. At the time of writing, we believe the issues raised in this research to be relevant to investors, but this may change. Additionally, this research should not be read as a complete or definitive account of all relevant issues for firms. Although we attempt to address all significant or nascent issues, these may not always be apparent, and these may change over time.

China Power International Development: We base our price target for CPID on DCF.
Upside risks include lower-than-expected coal prices and higher-than-expected power tariffs. Other risks include: a high gearing ratio from high debt: despite CPID's rapid growth, which will likely continue, the growth is partially driven by leverage. CPID has the highest gearing ratio (194% net debt to equity as of 2021) among peers, and it should remain high as CPID further devotes capex to renewable energy capacity; 2) short- to medium-term pressure on cash flow: as CPID enters an investment-intensive business transition period, low power yield from new capacity is likely to be accompanied by high capex requirements. As a result, CPID could face cash flow pressure from both the financing and operating points of view; and 3) equity financing might be needed, given high gearing and financing requirements.
The renewable power sector is subject to the following risks: 1) slower-than-expected domestic renewable-energy installed-capacity growth; 2) larger-than-expected tariff cuts for renewable energy; 3) a slower-than-expected decline in solar-power costs; 4) a lack of subsidy funding sources; and 5) competition from other power resources under future power reform.

China Yangtze Power: We use a DCF-based valuation methodology to derive our price target. We consider the following as downside risks for CYPC: 1) utilisation downside on a further slowdown in domestic power-demand growth; 2) fluctuations in water inflow in the Yangtze River; 3) further hydropower tariff cuts; and 4) potential risk in overseas expansions.

SDIC Power: Our price target is based on a DCF methodology. We think the main risks facing the company include: 1) a continuing slowdown in power demand; 2) threats from new installed nuclear power capacity; 3) potential conflict of interest between hydropower generation and irrigation/flood control; 4) lower water levels on the Yalong River; 5) longer-than-expected construction times/higher-than-expected investment; and 6) higher coal prices.