

China energy crunch triggers alarm, pleas for more coal

[The Standard](#)



As a severe power crunch roils China's northeastern industrial heartland, senior officials face mounting pressure from alarmed citizens to ramp up coal imports thick and fast in order to keep lights on, factories open and even water supplies flowing.

Videos showed people walking inside dark shopping malls and communities. Some were trapped in lifts. There were also traffic jams in multiple cities after traffic lights switched off. Click to see the videos [1](#) [2](#) [3](#).

With electricity shortages sparked by scant coal supply crippling large sections of industry, the governor of Jilin province, one of the hardest hit area, called for a surge in coal imports, while a power company association said supply was being expanded "at any cost".

News organisations and social media carried reports and posts saying the lack of power in the northeast had shut down traffic lights, residential elevators and 3G mobile phone coverage as well as triggering factory shutdowns.

A utility in Jilin even warned power shortages could disrupt water supplies at any time, before apologising for causing alarm.

Cities such as Shenyang and Dalian - home to more than 13 million people - have been affected, with disruption at factories owned by suppliers to global companies like Apple and Tesla.

Jilin is one of more than 10 provinces that have been forced to ration power as generators feel the heat of soaring coal prices that they can't pass on to consumers.

Speaking to local power firms on Monday, Han Jun, the governor of Jilin province, with a population of close to 25 million people, said "multiple channels" needed to be set up to guarantee coal supplies, and China should source more from Russia, Mongolia and Indonesia.

He said the province would also urgently dispatch special teams to secure supply contracts in the neighbouring region of Inner Mongolia, according to the province's official WeChat social media account.

Goldman Sachs estimated that as much as 44 percent of China's industrial activity has been affected by power shortages, potentially causing a 1-percentage point decline in annualised GDP growth in the third quarter, and a 2-percentage point drop from October to December.

It said in a note published on Tuesday that it was cutting its 2021 GDP growth forecast for China to 7.8 percent, from the previous 8.2 percent.

The power crunch has taken hold as a shortage of coal supplies, toughening greenhouse gas emissions standards and strong demand from manufacturers and industry have pushed coal prices to record highs and triggered widespread curbs on usage.

Rationing has been implemented during peak hours in many parts of northeastern China since last week, triggering state media reports of power supply disruptions in many cities and stoking concern among the country's avid social media users.

As some shops in the northeast operated by candlelight and malls shut early, posts on China's Twitter-like Weibo service expressed concern about water after a public

utility in Jilin warned users that power shortages could hit supplies at any time.

Jilin governor Han urged companies to fulfil their "social responsibilities" and "overcome the difficulties" caused by coal price rises.

The China Electricity Council, which represents the country's power suppliers, said in a note on Monday that coal-fired power companies were now "expanding their procurement channels at any cost" in order to guarantee winter heat and electricity supplies.

It said China needed to increase the production and supply of coal while guaranteeing safety and environmental protection. More medium- and long-term contracts needed to be signed to raise power plant inventories ahead of winter.

But David Fishman, China energy policy researcher and manager at the Lantau Group, an economic consultancy, said flaws in China's pricing system were ultimately to blame for the current round of shortages.

"This is about coal generators unable to operate their plants profitably, in most cases," he said.

Though policymakers had previously warned that China needed to build more coal-fired power plants in order to

offset potential power shortages over the 2021-2025 period, utilisation rates at existing plants remain low - suggesting they lack economic incentives to maximise output.

"In the short term, the only relief policies that make sense are digging more coal out of the ground, which is bound to be an unpopular idea, or make end-users pay more for their power," Fishman added.

(Reuters)