

ECONOMY

# Power crisis 'a result of scramble to meet energy targets'

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The effects of China's power crisis are being felt across the country.

Under pressure from high coal prices, rising energy demand and Beijing's order to lower energy consumption and curb emissions, more than half of the country's provinces have rationed power for high energy consumption sectors, causing widespread outages.

The cuts are part of an effort to meet central government demands to reduce energy use and intensity, targets that have become key performance indicators for local officials. Some jurisdictions have even sought to over deliver on their targets.

But industry analysts said power rationing was a poor

strategy to meet the energy intensity targets, and more flexible approaches were needed.

The main focus of the cuts are "dual high" projects – those that consume a lot of energy and have high emissions. They are in sectors such as coal-fired power, petrochemicals, chemicals, steel, non-ferrous smelting and construction, and account for over 70 per cent of China's carbon dioxide emissions.

China has pledged to peak carbon emissions before 2030 and achieve carbon neutrality by 2060. And curbing "dual high" projects is seen as critical to reaching these goals. Along the way, the country aims to cut energy intensity by 3 per cent this year and a cumulative 13.5 per cent from 2021 to 2025. But according to the National Development and Reform Commission (NDRC),

China's top economic planner, 20 of the country's 31 provinces and regions failed to meet their targets in the first half of this year.

In August, the NDRC criticised nine provinces including Guangdong, Jiangsu and Fujian for falling short in their energy intensity deliverables, saying they must meet their full-year targets.

But experts said energy use and intensity was on the rise in certain provinces mainly because of the unbalanced economic recovery.

Larry Hu, chief China economist at Macquarie Group, said in a research note that China's economy was driven more by the industrial sector, where energy intensity was greater. "In other words, China's economy in 2021 is more similar to that in 2006 than 2016, as it's more driven by exports than any time in the past

decade," Hu said. "This year's energy intensity target, however, doesn't take that into account."

Xunpeng Shi, a principal research fellow at the University of Technology Sydney, said the central government should consider each province's economic conditions and allow greater flexibility.

"Guangdong and Zhejiang are export-oriented provinces and they face a huge demand for exports because of disruptions to the global supply chain so they are likely to exceed their caps on energy consumption," he said.

One way to solve the problem was to promote trading in energy use permits, he said. "If Guangdong doesn't have enough permits, it can buy from provinces in western or northeast China that have unused quotas," Shi said.

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