

China Slowly Coping with Energy Shortages

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The Beijing government has ordered thousands of factories to shut down for a week, another sign that China's energy shortage is worsening. Some businesses are having their electricity cut off as many as three days a week, threatening production at a critical time of year for factories in the China's industrial heartland.

Bruce Grill is an American shoe exporter who works with factories in the Chinese provinces of Guangdong, Fujian, and Jiangsu. Mr. Grill, like other exporters filling orders for back-to-school sales and holiday shopping in the West, says many of his suppliers have been forced to buy power generators to meet approaching deadlines.

He says a backlog in orders for generators is creating further problems.

"This period is most critical," he explained. "So it will certainly help the situation to have generators on line in August. But until then, it is going to be tough. And then, for how long? Two years, three years, until the energy supplies catch up? That is what it is looking like to me."

Experts blame the worsening energy shortages on China's rapid economic development. This year, many businesses say the shortages are worse than ever. It has gotten so bad that, the Beijing government ordered 6000 factories to shut down for a week.

Mao Yushi is a former professor of engineering and economics who serves as a policy advisor to the Chinese government on energy. He says years ago officials underestimated China's growing energy needs.

"Now, we have more and more automobiles, more and more high-rise buildings, and also, many more express highways," he said. "All of this construction consumes lots of steel and cement. These kinds of projects are the major power consumers."

In addition, a better economy means more people can afford to buy air conditioners and other household appliances. Officials estimate air conditioners account for up to 40 percent of energy use in some areas.

Mr. Mao says that two or three years ago, there was a surplus of electricity in China, which prompted the government to stop construction of fuel-burning power plants.

Officials now hope hydroelectric projects such as the massive Three Gorges Dam will help meet China's growing energy needs.

Once fully operating in a few years, the dam's generators will supply southern China, where much of the country's manufacturing is centered, and where the energy shortages have been the most severe.

Shortages in the north of China are less widespread. Northern provinces, unlike the south, have readily available coal reserves. Shandong province currently has an energy surplus.

The government has released a list of long-term improvements that include strengthening power transmission from power-rich areas to places where energy is in short supply. Many of these projects will take two or three years to complete.

Promises to expand energy production a few years from now are little consolation to businesses that need a steady electricity supply to fill their orders on time. That is particularly crucial now, as factories rush to complete orders for the end of the year Christmas season in the West.

James Brock heads a committee on energy for the American Chamber of Commerce in China. He says manufacturers and exporters are complaining that production is generally 20 percent less than they want it to be at this time of year, because of power outages.

"Energy is different than any other commodity. It is very unforgiving. People notice when you do not have that electricity when you want it," he added.

Aside from buying expensive generators, some companies hire additional workers or ask employees to work longer hours when there is power, to make up for time lost when the electricity is cut off. For many factories, the power can be out three days a week.

Exporter Bruce Grill says some factories are complaining about the rationing system, which they say favors some industries over others.

"It is not the same for everybody because some industries are earmarked to get more power than others," he said. "High-tech industries are getting more power than, say, soft consumer goods."

Since it could be three or four years before there is a new power supply, the government for now deals with the energy shortages by imposing rationing in cities. Shanghai, for instance, said this week it will turn off the neon lights of the famed Bund when temperatures rise above 35 degrees. In Beijing, luxury hotels are setting their thermostats one degree higher.

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