



NEWS



China's strategic power cuts & "green" Winter Olympics 2022

Blackouts and power cuts in the world's second-largest economy have drawn attention to fuel supply problems that could complicate the country's pandemic recovery.

Struggling energy companies in China have cut off power to select Chinese industrial players in recent days as the high price of fuel pushes the firms to ration power supplies. Traffic lights and street lamps went dark in many cities in China in recent weeks. Sales of candles skyrocketed as millions of homes and businesses went without power.

Shortages currently plaguing Europe, the UK and now China can give the impression that a global energy crisis has begun. While some of their problems overlap, so far China is the only one this year to report widespread power outages.

China is the world's top consumer of coal and, unsurprisingly, the world's biggest producer of greenhouse gases. Beijing recently made reducing the country's carbon emissions a top priority, with the aim of reaching carbon neutrality by 2060. This led to the country curbing domestic coal production, even while over 70% of the country's electricity, according to Bloomberg, is still sourced from coal.

So now coal prices are skyrocketing. Unlike in Europe, where consumers are worried about spiking heating costs this winter, utilities' prices in China are largely regulated by the government. This keeps power companies from passing on the cost to consumers and sticks the suppliers footing the high cost of the coal needed to generate electricity. To cope, many companies have opted to scale back production, curbing the country's supply of energy.

Further, China's push to host a "green" 2022 Olympics and Paralympic Winter Games is expected to boost clean energy demand including natural gas consumption over the coming winter-spring heating season, but this has also raised concerns about costlier natural gas as global prices surge to record levels.

Reference:

<https://www.spglobal.com/platts/en/market-insights/latest-news/energy-transition/091521-analysis-chinas-green-winter-olympics-2022-to-boost-natural-gas-demand>

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