

## WORLD NEWS: ASIA

# China's energy goals prompt a rush

By SHAI OSTER

**BELJING**—Some local governments in China are rationing power to factories, homes and hospitals—and even shutting down traffic lights—in a scramble to fall into line with Beijing's unyielding energy-efficiency targets that also underscores the challenges in finding apt and lasting measures.

The efficiency targets, part of the Chinese government's five-year plan for the economy, call for a reduction in energy intensity, or the amount of energy used relative to economic output, by 20% over the 2006-2010 period. The target is aimed at limiting China's reliance on expensive natural resources, much of which is imported, and is also central to reducing China's emissions of greenhouse gases and other pollutants, because China's primary source of power is coal.

By the end of last year, China had cut energy intensity by 15.6%. In the first quarter of the year, energy use soared as massive stimulus funds flooded into the economy, spurring an infrastructure and housing boom. Premier Wen Jiabao vowed to use an "iron hand" to ensure that the five-year target is met, and has followed with other statements calling for the closure of outdated, inefficient manufacturing capacity.

"It's clear that they are frantic to meet this 20% energy target," said Arthur Kroeber, managing director of GaveKal Dragonomics, an economic research firm in Beijing. Wang Tao, China economist for UBS, said the target "is a big face issue" for the government, which would be loath to acknowledge failing on such



A worker sets up power lines on a high-voltage electricity tower in the eastern Chinese city of Qingdao in May.

a prominent goal.

The central government has long had difficulty getting local officials to comply with environmental-protection measures, because the local officials were judged primarily on economic growth and employment in their regions. But the recent pressure on energy targets appears to have gained traction, in part because local officials are being judged on it in annual performance reviews, according to analysts.

In Changzhou, a city of several million people in the wealthy coastal province of Jiangsu near Shanghai, the local government issued a strict rotation of rolling

blackouts for thousands of factories that required them to shut down five days for every nine they operate.

A person answering the phone at the Jiangsu Pangu Cement Group in Changzhou said production had been affected by the "open nine, close five" policy set by the city government.

The cuts are happening in other regions, too. An employee at the Zhejiang Leomax Group Special Cement Co., in Zhejiang province in eastern China, said it had experienced sporadic cuts, too.

Other local governments have gone even further. In Anping, a city

in Hebei province near Beijing, local officials rationed power to hospitals and homes and have turned off traffic lights that aren't solar powered. "All these measures are aimed at fulfilling Premier Wen's commitments on emissions reduction," said an official of the general office of the Anping Development and Reform Bureau.

But the local blackouts are clearly not what the central government intended. The National Development and Reform Commission, China's main economic planning agency, issued a statement Monday on its website rebuking Anping officials, saying their measures weren't

consistent with Beijing's policy.

The measures have drawn particular attention in the steel sector, with a number of small producers being temporarily halted. Credit Suisse estimates that China's steel output could be reduced 5% in the coming months by power restrictions. Speculation about the impact has pushed steel prices up, although demand has also weakened.

Ms. Wang of UBS said the broad impact of power cuts on China's economy will be limited, because it already has been slowing after the government put the brakes on spending for infrastructure and housing.

Andy Rothman, China strategist for CLSA Asia-Pacific Markets, said there are other motives behind the power cuts. China's central government has been pushing to consolidate the fractured steel industry, partly to get rid of smaller, less efficient mills—but also because a more unified steel sector could increase its bargaining power against iron-ore miners. Aluminum smelters, which typically use even more electricity than steel mills, haven't been shut down in the crackdown, he said.

Environmental experts say the local actions suggest the government is having difficulty implementing more lasting solutions. These measures show a "lack of understanding of the real meaning of the energy-efficiency targets," said Wen Bo, of the environmental group Pacific Environment. He predicted emissions and energy consumption would rebound next year at the start of the next five-year plan.

—Chuin-Wei Yap and Kersten Zhang contributed to this article.