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November 5, 2021

Supply Chain Alert: China's Power Problems are Going to have a Global Impact

For the past couple of years, the NADEC, through its various conferences and programs has been encouraging DEC companies throughout the country to look closely at the risks of continuing to operate with supply chains dependent upon China. These risks have been magnified during the covid pandemic. Mitigating these supply chain risks has been an important part of the NADEC's own Southbound Trade Initiative.

The issue of supply chain interruption emanating out of China is now worsening. The manufacturing areas within the Peoples Republic of China are now experiencing power shortages and outages that will impact supply chains for some time to come. You can pick up more detail on the "why" this has happened in the Asia Times piece of September 29, 2021, "*China plunges into self-inflicted darkness*," found here: <https://asiatimes.com/2021/09/china-plunges-into-self-inflicted-darkness/> Additionally, there is a Wall Street Journal article dated October 1, 2021, "*China's Power Shortfalls Begin to Ripple Around the World*," <https://www.wsj.com/articles/chinas-power-shortfalls-begin-to-ripple-around-the-world-11633101100> which is worth reading closely to understand this issue in more detail.

Suffice it to say that what has happened is that approximately 60% of China's power is coal-fired. A significant portion of that coal was imported from Australia. If you recall, China attempted to punish Australia for its push for an independent investigation of the covid virus by instituting sanctions and an import ban on Australian coal. Essentially, this sanctions move has backfired. Combined with a near doubling of coal prices, increased post-pandemic manufacturing demand, and emission restrictions by Beijing's leadership to help clear the skies of pollution in time for the February 2022 Winter Games, China now faces a severe power crunch which is exacerbated by the onset of Winter.

There are at least four (4) important points in this supply chain alert for our DEC members:

- (1) This power situation is going to place enormous stress on the CCP leadership--especially with the onset of Winter.
- (2) The downstream supply chain interruptions are going to be ugly on a global scale and we will feel it. The supply chain interruptions are going

to be coupled with serious inflation challenges rippling throughout the global supply chain construct.

(3) No question that this will help accelerate the exodus of more companies out of China.

(4) This situation is going to further impair China's ability to earn foreign exchange via exports, further trimming back its international projects and lending abilities.

This power situation in China is growing increasingly troublesome and merits your attention as it is going to have serious supply chain as well as inflation impacts likely on your own business as well as many, many others through our DEC communities throughout the country.