

China's Diesel Shortage Brings Industry To A Halt

Joe McDonald, AP Business Writer

BEIJING (AP) — Aggravated Chinese truck drivers parked for hours to buy rationed diesel Monday as shortages blamed on a government conservation campaign and possible hoarding by state oil companies disrupted industry and trade.

Supplies ran low after thousands of factories bought diesel generators to cope with power cuts imposed by authorities to meet energy-saving goals. That boosted already strong fuel demand amid rapid economic growth and complaints that major suppliers are withholding diesel to pressure Beijing to raise government-set retail prices.

In the southwestern city of Chongqing, truck driver Peng Yun was just back from what should have been a three-day trip to neighboring Yunnan province. He said it stretched to five days after he had to stop six times for a partial tank of fuel.

"In one place the filling station ran out, so I had to wait overnight until they had diesel again the next day," said Peng, 24. "Now I dare not drive that far because I can't get diesel."

The shortages are symptomatic of the costly side effects of the communist government's crude tools for regulating a complex, fast-changing economy.

Local authorities imposed rolling blackouts on factories in August after Beijing called for efforts to curb surging energy demand, pollution and emissions of climate-changing greenhouse gases. That came after a campaign to make China's energy-guzzling economy more efficient suffered setbacks early this year due to a stimulus-fueled boom in steel, cement and other heavy industry.

Diesel supplies already were tighter than usual after refineries shut down in August and September for maintenance and demand from farmers and fishermen rose, said Tom Reed, London-based Asia energy editor at Argus Media, an energy news agency.

"It's kind of a perfect storm" that caused "a significant squeeze on the wholesale market," Reed said.

Fuel shortages were reported in areas from Dalian, a northeastern port, to Hangzhou on the east coast and Kunming in the southwest.

Some Chinese media and industry analysts blamed the shortages on China's major state-owned oil companies, PetroChina and Sinopec. They said the companies are withholding supplies while they wait for Beijing to boost retail prices that were left unchanged while global crude costs climbed from \$70 a barrel at the start of the summer to nearly \$90 now.

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PetroChina and Sinopec are "stockpiling diesel in an attempt to blackmail the NDRC (China's main planning agency) into announcing another price rise," said Zhao Jingmin, an oil analyst for the industry website Chinachemnet.com.

Phone calls to the press offices of PetroChina and Sinopec were not answered.

The NDRC, or National Development and Reform Commission, and its energy agency did not immediately respond to questions about what the government was doing to restore normal diesel supplies.

China's economy regularly is disrupted by government intervention in energy industries.

In 2007, the country suffered gasoline shortages after refiners cut production in response to price controls. The next year, parts of China shivered through blackouts in bitter winter cold after the government froze power prices, prompting utilities to cut expenses by letting coal stockpiles run low.

The refinery shutdown was prompted in part by government orders to upgrade facilities after a July pipeline explosion in Dalian dumped crude into the sea, said Liao Kaishun, an oil analyst for the firm C 1 Energy.

The overhaul "reduced the monthly transport of diesel fuel from northern to southern China by at least hundreds of thousands of tons," Liao said.

The shortages will ease if refiners make good on promises to raise output, said Argus Media's Reed. He said China is likely to fill the gap temporarily with imports, which would benefit refiners elsewhere in Asia.

In Shanghai, China's business center and busiest port, deliveries by Tianbang Logistics Co., a trucking company, have been delayed by two days while its drivers wait in line to buy fuel, according to a dispatcher there.

"Our clients are not happy at all," said the dispatcher, who would give her name only as Miss Xun. "We don't have any way to solve it so far."

In environmental terms, the power cuts have backfired by prompting factory managers to buy dirtier, more expensive diesel generators.

"The only solution is to begin supplying more power," said Citigroup economist Ken Peng.

In southern China, more than 2,000 privately owned filling stations China have run out of diesel, the government's Xinhua News Agency reported, citing the China Chamber of Commerce for the Petroleum Industry.

Others limited drivers to a half-tank or less or served only regular customers, according to drivers and news reports. Xinhua cited one driver who got extra fuel by

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slipping a filling station employee a 50 yuan (\$7) tip.

Truckers from out of town were stuck Monday in Changsha, in Hunan province in southern China, because they cannot find fuel, according to Rednet.net, a news website run by the provincial government.

An employee of a Changsha filling station, who would give only his surname, Xie, said the station last obtained diesel on Oct. 26. He said it limited sales to 30 liters (eight gallons) per customer but quickly ran out.

In Kunming, "you are lucky if you can get fuel after lining up for five hours," said a report on 163.com, another news website.

"We all know the final result will be a price rise so why not do it directly?" said one unsigned note on 360che.com, an Internet bulletin board for truckers. "Why make us wait for a whole night at a gas station?"

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