

**The challenges remain – in danger of getting worse due to the energy crisis in China.**

The challenges in the supply chain remains. The combination of high-capacity utilization and strong demand has resulted in long lead times and rising prices for materials and freight, both locally and globally.

Now another cloud of concern is looming as China faces its worst energy crisis in years.

Within China's energy-intensive economy, power rationing for factories and businesses, has led to some provinces going so far as to order factories to stop all production for a few days each week. The electricity shortages cause production disruptions at factories across the country.

The cause of electricity rationing, and power outages is a mix of factors, including power production shortages and China's ambition to achieve emissions- and energy-use targets. Some provinces have had to stop their electricity production and electricity supply to meet these targets.

This derived from China's "dual control over energy consumption," which puts increased regulatory pressure on provinces to meet emission targets for 2021, but also reflects rising energy prices. An increase in coal prices has led to electricity producers having to reduce their production capacity despite an increased demand for electricity.

As a result, factories across the country are facing a blackout situation and may be forced to close their operations, affecting production capacity, and leading to production losses and delays in delivery. In some cases, lead times have more than doubled. The power outages and electricity restrictions are creating further turbulence in global supply chains.

Given the situation in China, we expect a continued turbulent market which may affect our deliveries to you.

We therefore ask you **to review your plans and release orders for your needs as soon as possible.**

Thank you for your understanding in this situation.

Despite the turbulent situation, we are true to our core values; **Customer focus, Service thinking and Solution oriented.**

The current crisis shows three things

1. Global supply chains are complex and vulnerable.
2. The importance and value for our customers to consolidate their supplier base.
3. Rudhäll Industri is the right partner to work with.



VD, Rudhäll Industri