

# China's Approach to International Climate Policy

## Change Begins at Home

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Chinese government officials have repeatedly declared that China – now the world's biggest greenhouse gas emitter – wants to take on more responsibility for climate policy at the international level. Chinese emissions targets were announced in July at the Petersberg Climate Dialogue, but were then withdrawn. China, along with the United States, will play a decisive role in preparations for the Climate Summit of the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in 2015, during which a new agreement is to be launched. At home, China faces the challenge of reducing the tremendous harm done to its population by smog and environmental damage. Ad hoc measures may achieve quick successes, but without major structural changes the emissions trend will not change. This is challenging for Beijing, as can be seen in its wavering over international commitments. China's international involvement depends on: momentum from the U.S.; balancing the interests of developing countries; and the readiness of the EU to press forward on important issues bilaterally rather than internationally.

The Chinese position in negotiations under the UNFCCC has gradually changed since 2009. Targets for the reduction of greenhouse gas emissions have become established within China's politics and have been included in its five-year plans. At the UN level, Chinese negotiators have repeatedly indicated that China will commit internationally to emissions targets after 2020. China's involvement with the international process began in 2009 when it submitted an emissions intensity reduction

target of 40–45 percent by 2020 to the UN Climate Change Conference in Copenhagen.

Officially, China continues to define itself as a developing country under the UNFCCC. This claim is based on the Kyoto Protocol of 1997 (the only internationally binding climate treaty to date), according to which developing countries are not obliged to reduce emissions, whereas developed countries must make cuts by 2020. However, the U.S. withdrew from the protocol back in 2001 and has since demanded that newly industrialised countries commit

to emissions cuts before it re-engages with the process. The conflict between the historically largest polluter (the U.S.) and the future one (China) has blocked international negotiations for years.

### **The National Level: Widespread Environmental Pollution**

However, the real drivers behind China's policy change are national environmental problems, energy shortages, and the high economic costs associated with rapid development. These challenges can only be overcome if the Chinese government develops an overall plan balancing targeted growth with environmental protection. Beijing has been working towards this since its 11th five-year plan (2006–2010), and the 12th five-year plan (2011–2015) contains some specific milestones: energy intensity is to be reduced by 16 percent, and emissions by 17 percent per unit of GDP; while the share of renewable energies in total energy consumption is to rise from 8.3 percent in 2010 to 11.4 percent.

Above all, there is increasing pressure to take action over air pollution in China's major economic centres. Smog has become a health risk, compromising the long-term productivity of the workforce and discouraging investors. Environmental issues now increasingly lead to protests by the Chinese people. In Beijing it has become standard practice to check air quality with special smartphone apps. During the March 2013 National People's Congress, 3000 delegates from across the country experienced the extent of the capital's air pollution at first hand. In addition, more and more reports are published on the poor condition of China's rivers and lakes, and agricultural land.

### **Steps taken by China's new leaders**

In autumn 2012, new personnel were appointed to key party positions, and in spring 2013 the highest government posts were re-allocated. Since then the Chinese

leadership has placed a high priority on environmental protection, in their official speeches at least: the head of state and party leader, Xi Jinping, describes "ecological civilisation" (an idea already publicised at the 17th Party Congress in 2007) as an integral part of the "China Dream" (*Zhongguo meng*); and Prime Minister Li Keqiang has officially declared war on pollution. This strong language is mainly intended to reassure city-dwellers tormented by smog. By shutting down power stations and introducing driving bans the Chinese government is trying to achieve quick results.

According to official plans, economic growth in China will slow down over the coming years. The growth target for 2014 is 7.5 percent, which should also mean that the growth in emissions will slow down. From 2005 to 2013 the Chinese economy grew by an average of 10 percent, and energy consumption by 6 percent annually. Over the same time period, energy intensity dropped by approximately 26 percent, stopping the upwards trend of previous years.

### **The road will get rockier**

The success of short-term measures – such as the reduction of coal consumption by 7 percent compared with 2013 – should not belie the difficulty of maintaining such impressive emissions reductions. In 2013 coal still accounted for 68.5 percent of primary energy use, and it accounts for most of China's energy production. Since 2005 the efficiency of large power stations has increased considerably, from 41.3 to 75.6 percent. The reversal of the energy intensity of industrial production has also been achieved thanks to the "low-hanging fruit" of improved energy efficiency, and the closure of the worst industrial polluters. This is why analysts predict that current trends in lowering industrial emissions, energy savings and more efficient energy production will level out in the future. To combat greenhouse gas emissions effectively, more far-reaching industrial reform is required. Moreover, it is important to

include consumers in such policies, for instance by changing energy prices and introducing incentives for environmentally friendly consumption.

For the time being, however, China's growth will be characterised by continued industrialisation and urbanisation, and CO<sub>2</sub> emissions per capita will rise. In 2010, CO<sub>2</sub> emissions were 6.6 tonnes per capita (the global average being 4.8 t). Studies assume that China will not be able to reverse its emissions growth before 2030. The question of which year will see the peak in emissions is now hotly debated among Chinese experts, also with regard to international negotiations. New methods of coal combustion are equally controversial. Chinese officials have announced plans to convert coal into gas in order to reduce smog. By building 50 facilities outside Beijing, they aim to meet future energy demand with "clean" gas. However, this would not reduce coal combustion but simply relocate it. Moreover, this energy conversion process would release vast additional quantities of emissions.

### **Implementation and governance structures**

To support environmental policy Beijing has upgraded the environmental protection agency to a ministry. In addition, China amended environmental legislation at the National People's Congress in April 2014. This first revision to the law in 25 years will come into force on 1 January 2015. However, it does not guarantee concrete implementation at the local level, especially in the absence of supervisory bodies, but also in view of the longstanding, unresolved conflict between the objectives of economic growth and urbanisation on the one hand, and sustainability and environmental protection on the other. The authority of local environmental protection agencies over large state-run companies has not been established, and incentives do not carry a clear enough message. Local actors simply do not recognise the advantages of increased

climate protection – better air quality, less traffic, improved public health, higher energy security – despite the fact that these are in their own interest.

The issue of energy prices in China is crucial. Since the energy companies are state-controlled, prices are not set by the market and reforms do not get off the ground. As a first foray in this direction, China is testing an emissions trading scheme in the form of seven pilot projects in specific provinces, mainly covering energy intensive and manufacturing industries. However, it is already clear that the introduction of a nationwide emissions trading system, planned for 2015–16, will be delayed until approximately 2020.

### **Cooperation with the U.S. and the EU**

As far as international climate negotiations are concerned, the U.S. and China declared their support for the UNFCCC negotiations process in early 2014. Since President Barack Obama recently put climate change back on the American political agenda, both states have been cooperating more closely (see SWP Comments 34/2014). In April 2013 the U.S.-China Climate Change Working Group (CCWG) was set up to take action in the following five areas: reducing emissions from vehicles (especially heavy-duty vehicles); implementing "smart grid" technology; expanding carbon dioxide capture, utilisation and storage; improving energy efficiency in buildings and industrial plants; and collecting and managing data on greenhouse gas emissions. During the U.S.-China Strategic and Economic Dialogue in July, the first issue the working group tackled was fuel and greenhouse gas emission standards. However, China's chief climate official, Xie Zhenhua, stressed that his country would not agree to the same emission specifications as the U.S. at the UNFCCC Paris conference in 2015. At an informal meeting between President Obama and the new Chinese President Xi Jinping in June 2013, both agreed to cooperate on reducing chlorofluorocarbons (CFCs). Al-

though both presidents were expected to attend the world leaders' Climate Summit, hosted by UN Secretary-General Ban Ki-moon on 23 September in New York, Mr Xi Jinping has retracted this commitment.

The EU, on the other hand, already initiated cooperation with China on energy and climate policy at the 8th EU-China Summit, back in 2005. At the 16th EU-China Summit in November 2013 the two parties announced their intention to advance international climate negotiations in their EU-China 2020 Strategic Agenda for Cooperation. As in China's cooperation with the U.S., short-lived greenhouse gases and local air pollution are both on the agenda. There is also to be cooperation on structural issues ("green growth", or sustainable development) and specific regulations. In recent years the EU has cooperated closely on developing China's pilot emissions trading schemes, and it will now help with capacity building in China. In 2013 China joined the German-initiated *Club der Energiewendestaaten* (Club of Energy Transition States).

However, several points on the 2020 Strategic Agenda are linked to current conflicts between the EU and China. For instance, the announcement of attempts to regulate the aviation industry stems from the dispute over the inclusion of Chinese airlines in the European Emissions Trading Scheme. A dispute over solar panels in late 2013 (in which the EU limited imports of photovoltaic units from China with punitive tariffs and quantitative restrictions) was resolved in part due to regular dialogue over trade policy. This dialogue is to be stepped up further.

### **International Negotiations**

At the UN Climate Change Conference in Paris, China will present its own post-2020 climate change target. However, its level of ambition will not be subject to outside influence, despite the various bilateral advances on climate policy. The key requirement for China's continued agree-

ment on climate policy issues is progress in tackling its domestic environmental problems. The extent of China's financial contribution to climate change development projects depends very much on its own interests, as does the integration of the Chinese emissions trading system into an international market.

Yet for all its approaches to cooperation with the U.S. and the EU, China also has the unity of the G77 to consider. At the 2011 UN Climate Change Conference in Durban, the EU managed to drive a wedge between more than 100 developing countries in the G77 and China. Nevertheless, China remains the predominant member of the group. Moreover, it is capable of building a strong coalition with India, Brazil and South Africa to resist pressure to make binding commitments.

Therefore patience will be required to enter into a comprehensive international climate deal with China. Although China has embarked on its journey, the key milestones will not be set on an international level, but rather in the context of its domestic climate policy.

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