



CHINA BRIEFING: ISSUE 3

This third edition of the The °Climate Group's China Briefing, which highlights key opportunities for working with China to achieve low carbon growth and tackle global climate change, covers the following areas:

- *China's Position at the Bali Climate Change talks* – China maintains its strong presence at the international negotiations, standing by its position of 'common but differentiated responsibility';
- *Latest moves by Government to Tackle Climate Change* – China launches its first Energy White Paper outlining progress made so far to reduce energy intensity, and specific steps around renewable energy and energy efficiency;
- *Technology Innovations in China* – China announces several promising new carbon reducing technology projects, including a joint UK-China carbon sequestration initiative, and a 400,000 ton-per-year biodiesel refinery;
- *Effects of Climate Change in China* – a new survey of China's glaciers reveals unnatural glacial recession in Tibet and in the western mountain ranges.

THE UN CLIMATE CHANGE CONFERENCE OF PARTIES (COP) IN BALI 3-14 DECEMBER 2007

Although it had been a tough process for all involved, on the 13th day the Bali COP13 was claimed as a success, with participants saying that a “breakthrough” had been made. This success is mostly demonstrated by Clause B in the final Bali Action Plan, in particular parts (b)(i) and (b)(ii) where all parties (including both US and leading developing nations) commit to enhanced national/international action on the mitigation of climate change in a “measurable, reportable and verifiable manner.” The relevant passages of the agreement are as follows:

(b) Enhanced national/international action on mitigation of climate change, including, inter alia, consideration of:

(i) Measurable, reportable and verifiable nationally appropriate mitigation commitments or actions, including quantified emission limitation and reduction objectives, by all developed country Parties, while ensuring the comparability of efforts among them, taking into account differences in their national circumstances;

(ii) Nationally appropriate mitigation actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner.

The roadmap seems clearer now for the international community to work together from Bali to Copenhagen in 2009, and to figure out the details of how to take actions and achieve the necessary GHG emissions reductions and prevent disastrous climate change happening.

There is no doubt that there are significant challenges ahead. For emerging economies like China, India and others, efforts, methods and capacity need to be combined to ensure that national actions are measurable, reportable and verifiable. For the developed countries, specific plans need to be made to support and enable the mitigation efforts in those countries by technology, financing and capacity-building, also in a measurable, reportable and verifiable manner. And those two have to go hand in hand.

“CHINA WILL IMPROVE ITS RESPONSE TO CLIMATE CHANGE, AND MAKE SACRIFICES TO PROTECT THE CLIMATE AND ENVIRONMENT, HOWEVER, WE WILL ABSOLUTELY NOT TAKE ON THE SAME LEVEL OF RESPONSIBILITY OF DEVELOPED COUNTRIES” XIE ZHENHUA, VICE MINISTER OF THE CHINESE NATIONAL DEVELOPMENT AND REFORM COMMISSION.

China has been a strong supporter of the United Nations Framework Convention on Climate Change (UNFCCC) process, has signed and ratified the Kyoto Protocol as a non-Annex I (developing) country, and maintained a strong presence at the latest Bali negotiations. China has no binding emissions limits under the first commitment period of the protocol (2008-2012); however China is an active participant in the Clean Development Mechanism (CDM) established under the protocol which saw over 3 billion dollars transferred to China for carbon emission reduction projects in 2006 alone.

China is showing growing concern for the issue of climate change and its potential impacts, but has been firm in its stance, along with India and other G-77 (developing) countries, that ‘no new commitment’ of any kind should be accepted by developing countries under a the post-Kyoto agreement. China’s negotiating position was based on the principle of “common but differentiated responsibilities” as defined in the UNFCCC and its delegation reiterated that the major responsibility for climate change rests on developed countries who emitted 95% of all greenhouse gases before 1950, and 77% of all greenhouse gases emitted before 2000. China is putting strong efforts into climate change for both mitigation and adaptation, and stressed that the global climate problem cannot be solved without strong technology innovation and transfer in a framework of international cooperation.

“China is doing a great deal in terms of bringing about high efficiency of energy use,” said Dr. Rajendra Pachauri, Chairman of the Intergovernmental Panel on Climate Change (IPCC). He said China was doing what it could to combat climate change and the government was very conscious of the challenges posed by climate change impacts.

LATEST MOVES BY THE GOVERNMENT TO TACKLE CLIMATE CHANGE

Addressing the 17th National Congress of the Communist Party of China in late October, President Hu Jintao pledged China would spare no effort to pursue an ecological civilization focusing on environmental protection and coexistence with nature. The Party Congress reiterated China’s goals of quadrupling the per-capita GDP between 2000 and 2020 while pursuing the ambitious target of reducing the energy intensity of the economy by 20% between 2006 and 2010.

Following the national congress a November announcement put forward climate change as part of the performance assessment of government officials; starting in 2008, governors at all levels are obliged to report to the central government their efforts to save energy and reduce pollutant discharge. Central government has warned that those who fail to achieve their respective goal will be punished.

ENERGY WHITE PAPER

Following this, on December 26, China’s State Department released its first ever ‘Energy White Paper’. The 11,000 word document outlined significant progress in China’s efforts to reduce energy intensity and also touched on the following points:

- China is perfecting the index system of energy consumption per-unit GDP which will form an integral part of the overall evaluation of economic and social development for China as a whole and for individual regions. The paper reported that energy consumption for every 10,000 Yuan (US\$1350) of GDP dropped from 3.39 tons of standard coal in 1980 to 1.21 tons in 2006
- The Chinese government has established a system of compulsory green procurement of energy-saving products for government offices
- The Medium- and Long-term Program for Renewable Energy Development in China aims to increase renewable energy consumption to 10 percent of total energy consumption by 2010 and 15 percent by 2020
- China will proceed with energy price reform and gradually establish a price mechanism that reflects resource scarcities, changes in market

supply and demand, and environmental costs. The price of coal already reflects the full market price, but gasoline and diesel prices are still kept artificially low by the government for socio-political reasons leading to huge subsidies for refiners

The white paper reported that in 2006, China's total consumption of primary energy was equivalent to 2.46 billion tons of standard coal. International statistics estimate that 6200 million tons of CO₂ was released by China in 2006.

TECHNOLOGY AND INDUSTRY

Developing GHG-cutting and energy-saving technologies and bringing them into use is seen as one of China's main practicable routes to combating climate change. Energy intensive and heavily polluting industries dominate the economy. This has led to unprecedented social and environmental problems, as China's GHG emissions have increased.

In the last few months of 2007, several promising new carbon-reducing technology projects have been announced in China and there is an increasing likelihood that China will become a future global leader in renewable energy projects. Some of the major announcements in this sector are listed here:

- On November 21, China and the UK jointly launched a carbon sequestration project for coal-fired power plants in a bid to cut greenhouse gas emissions. Two million British pounds will be invested by the UK until 2009 to develop technology models to investigate carbon capture and underground storage in the first step towards creating a near-zero emissions plant in China by 2014.
- On December 14, U.S. firm Peabody Energy become an equity partner in China's "GreenGen" project, led by China's Huaneng Group, which plans to create the country's first near-zero emissions coal-fueled power plant with carbon capture and storage. The US\$1 billion GreenGen project will have a capacity of 250MW in its initial phase expanding to 650MW in later phases, and will be capable of hydrogen production as well as carbon sequestration.
- In December, in China's southern province of Guizhou, Zhongshui Energy Development Co. Ltd. announced that China's first Jatropha tree bio-energy harvest will yield 15,000 tons of bio-diesel oil. The vast mountain areas of central and southern China represent a huge untapped resource for bio-fuels which do not compete with China's tight food markets. So far more than 108,000 hectares of Jatropha plants have been planted in Guizhou, Yunnan and Sichuan provinces, and the government plans to increase this to 13 million hectares of high grade bio-energy forest by 2020, predicted to yield 6 million

tons of diesel per year. The sturdy *Jatropha* has also attracted the interest of foreign investors such as the American energy company, Becco Biofuel, which plans to invest up to US\$2 billion in growing 200,000 hectares of *Jatropha* and establishing a 400,000-ton per year bio-diesel refinery Sichuan.

- December saw competition heating up for design and production of advanced energy-efficient hybrid vehicles in China as domestic company Chang'An Motors announced the successful start of production of its own locally developed hybrid technology which improves fuel economy by 20 percent. The new hybrid is close in size to Toyota's Prius hybrid, however the local price tag is approximately half of its Japanese competitor which sells for a hefty US\$40,700 partly due to import taxes. This month General Motors Corp also announced a new US\$250 million hybrid research and development center in Shanghai and said it would begin producing a hybrid car in China before the Olympics in August 2008. Toyota Motors, the pioneer of hybrid-vehicle technology, began production of its popular Prius hybrid in China in late 2005.

EFFECTS OF CLIMATE CHANGE IN CHINA

- The latest 2007 survey of China's glaciers revealed the unnatural glacial recession in Tibet and in the western mountain ranges which has reduced ice mass by up to 18 percent since 1984. China has announced it will build a permanent monitoring station in the region to monitor the glacial melt and ice flows.
- On December 21, Beijing officials announced that China is facing a severe drought which experts have declared is a direct result of climate change. Over 50 million people are experiencing water shortages including water rationing and disrupted running water service. Furthermore, direct economic losses to the forestry and agriculture sectors already total 9.26 billion Yuan (US\$1.25 billion). Since October, southern China has received 30 percent to 80 percent less rainfall than the average in previous years. China's largest fresh water body, Poyang Lake, has been particularly hard hit with its shoreline receding over a dozen kilometers. The lake now covers less than 50 square kilometers, down from about 3,000 square kilometers in summer this year.

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