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**Special Policy Study on Global Climate Governance
and China's Role**

2018 Policy Recommendation Report

(For Discussion)

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Having engaged in global climate governance for 28 years and having made an indispensable contribution in the signing of the Paris Agreement, China has shifted its role from a mere participant in global climate governance to an active contributor, preparing for a leader's role. With China moving to a new stage of high socioeconomic development and modernization, and given the profound changes in the global political economy and climate governance patterns, the international community is expecting China to play a leading role in tackling climate change and promoting low-carbon development. For this, China must accurately define its position and determine its contribution to establish a global climate governance framework based on fairness and a win-win principle.

Aside from upholding the "common but differentiated responsibilities" principle in the climate change negotiation arena, China could make unique contributions to global climate governance and play the leader's role if China could have strong political will for combating climate change and a forward-looking aligned strategy; have a forceful implementation apparatus supported by capable climate policy practitioners whose mission is backed by well-set rules and regulations; have a cohesive and flexible domestic administrative system that coordinates multiple key policymaking branches such as economic development, energy, transport, land use and natural resources, as well as various levels of government; and be confident to participate in and build an international order featuring equity, collaboration, and shared prosperity.

China initiated a new round of institutional reforms in 2018 and has established the Ministry of Ecology and Environment (MEE), taking over responsibilities of climate governance from the National Development and Reform Commission (NDRC). The change provided opportunities, as well as challenges, for the Chinese government to enhance its leadership in tackling climate change and to reap co-benefits from coordinating pollution and emission control.

In this context, the China Council for International Cooperation on Environment and Development (CCICED) launched the taskforce on Global Environmental Governance and Ecological Civilization, and assembled a Special Policy Study (SPS) team with Chinese and international experts working on Global Climate Governance and China's Role. In 2018, the SPS team organized surveys and discussions with a focus on how to improve capacity for tackling climate change under China's restructured cabinet. The SPS team proposes the following recommendations to CCICED based on collaborative study:

General Recommendation

Given the present political and economic situation both internationally and domestically, China should actively maintain political momentum in tackling climate change. Internationally, China should recalibrate its climate policy agenda by referring to the priorities set by the upcoming 2019 United Nations Secretary-General's Climate Change Summit, focusing on implementing pledges made to the Paris Agreement and assisting other developing countries in achieving their emission reduction targets.

Domestically, China should continue to innovate development pathways, integrate goals in tackling climate change with policies for deepening institutional reform and opening-up, reform supply-side structure, as well as fight pollution. Policymakers should design policy by translating the public's quest for clean air and pursuit for better quality of life into visible market demands, and by using climate change mitigation and energy conservation as the impetus for economic transformation. The government could fully realize the potential of the reformed cabinet and maximize benefits from the new arrangement by instituting a well-integrated management framework.

China could also contribute to the global environmental governance framework by acting in a coordinated manner to conserve its own ecosystem, integrating climate change goals with ocean, water resource, and bio-diversity management.

Specific Recommendations

- 1) Leverage the development of “mid-century strategy” to institutionalize an effective coordination mechanism that harmonizes tackling climate change with multiple strategic goals, including developing a green and low carbon economy, upgrading industrial structure, as well as transforming energy structure. This institutional design shall make China an exemplar of global climate governance.**

Achieving goals of the 2050 Long-term Low Emission Development Strategy (the “mid-century strategy”) submitted by parties to the Paris Agreement requires a new institution that enables close coordination among agencies overseeing economic development, energy policymaking, environmental protection, natural resource management and climate governance, under the leadership of the Central Committee of the Communist Party and the State Council.

The government agencies shall jointly develop the national “mid-century strategy” and keep it consistent with long-term, mid-term and near-term goals, including the modernization blueprint and development pathways affirmed at the 19th Party Congress, the Nationally Determined Contribution pledges, as well as the targets set by the upcoming 14th Five Year Plan. It is significant to keep the mid- and long-term strategies consistent with actions that China will take in infrastructure investments, key low carbon technology R&D&D, financial mechanisms and policies, and behavior shift.

Specifically, the “mid-century strategy” needs to include well-defined targets with priority order, clearly set timelines, and pathways. Upon careful evaluation of domestic and international political and economic situations, the strategy should set an exemplar for future policymaking for China and the international community in terms of enabling innovation and transition.

Push forward State Owned Enterprise (SOE) reform, incentivize SOEs to move to low- and zero-carbon modes of production and consumption, particularly in terms of energy generation and use.

2) Fully utilize the National Leading Group for Climate Change and Energy Conservation and Emission Reduction to institutionalize coordination across relevant offices in the State Council.

The State Council could boost governance efficacy by institutionalizing the coordination for policymaking and administration across its own branches and throughout all levels of government. A set of coordination rules should be put into place with clear coordination rules and procedures, as well as well-defined roles and responsibilities.

In practice, all relevant government agencies should work jointly to leverage the campaign against air pollution to achieve all the goals of a coordinated development agenda, including energy structure transformation, industrial structure and transportation system upgrade, land-use optimization, as well as greenhouse gas emission control and climate change adaptation.

3) Include binding greenhouse gases control targets into the existing environmental compliance supervision system, and make these targets as part of governmental accountability indicators.

Add the binding climate change related targets into the existing environmental regulation and supervision system, which is prioritized by the Central Government

of China. It is important to strengthen climate change management by leveraging the existing institutional resources for environmental protection such as legal system, management, monitoring and supervision system. It is suggested to prioritize the establishment of local climate change authority as one of the key tasks for 2019 environmental compliance supervision.

4) Innovate renewable energy policy to enable energy structure transformation.

China has made substantial progress in lowering the costs of renewable energy generation and boosting its utilization. Yet policies are needed to see the industry through the potential ramifications of a subsidy reduction, if not a complete removal. The new agencies shall institute a renewable energy policy framework that induces cost-lowering technologies, such as energy storage, smart grid and distributed energy, and incentivizes renewable uptake, such as electricity market reform and renewable energy quota system. Strengthen policy integration across ministries, particularly improve policies on land use and financing to accelerate distributed renewable energy development.

5) Tighten control over coal and improve energy efficiency to hit emission reduction targets ahead of time.

To eliminate non-centralized coal burning practices in air pollution-prone areas, such as the Jing-Jin-Ji region and the Weihe-Fenhe river plains by 2020, the agencies should support a shift from coal to natural gas, encourage electrification, and provide sustainable financing solutions for this transition period. Moreover, the agencies should stop approving new coal-fired power plants to make room for renewable power generation. Additionally, the agencies should facilitate economic, industrial and social transformation in places heavily reliant on the coal industry by assisting local policymakers in improving development strategy.

In the meantime, the new agencies should set more ambitious energy efficiency targets for the next Five-Year Plan period, in particular targeting cooling efficiency issues. To play a more active role in the implementation of the Kigali Amendment to the Montreal Agreement, China could set world-leading energy efficiency and greenhouse gas standards for air conditioners and apply those standards to both domestic and exported goods. Solutions such as centralized cooling or centralized cooling and heating should be piloted at a larger scale.

6) Achieve energy security by proactively engaging with the global energy system, facilitating international cooperation in energy structure transformation and innovating energy technology.

Given China's natural resource endowment, it is most advisable for China to build an energy security network featuring openness, collaboration, innovation and sustainability. A cooperative international network of dynamic economic activities, including investment, production, and operation enables China greater access to the global energy resource pool.

Specifically, the agencies need to build a global energy investment, production, trade and operation network based on multilateralism. On the one hand, an enhanced tie with partners including central Asia, Russia, the Middle East, and Africa, helps to secure steady oil and gas inflows. On the other hand, international cooperation in green and low carbon energy technology supports the "going abroad strategy" of China's renewable energy sector.

7) Apply the "green and low carbon development" principle to all "Belt and Road Initiative" practices, helping Belt and Road Initiative partner countries to deliver their NDC pledges.

The agencies shall always approach Belt and Road Initiative projects under the framework of the United Nations' Sustainable Development Goals (SDGs). Drawing on its experiences in tackling climate change, China could supply its partners with technologies, funding, and best practices, based on their needs. China could also share its experiences in co-management with the "Belt and Road" countries, particularly in designing institutions that enable economic development, environment protection, and climate governance. In addition, China should work with third parties such as other countries or international agencies, under better information sharing mechanisms, to support Belt and Road Initiative countries' low carbon development.

8) To enhance climate governance capacity building for local officials, whose practices determine the efficacy of climate policy.

Institutional reform should be immediately followed with the deployment of resources such as funding and manpower to strengthen administrative capacity for local agencies. This has two major components: first, enhance coordination by integrating responsibilities among multiple local agencies; second, improve capacity and performance among individual cadres in tackling climate change.