



## **Reaching New Consensus on Green Development: The Pathway to China's High-quality Development during the 14<sup>th</sup> Five-Year Plan Period**

### **Draft policy recommendations from the 2019 AGM of China Council for International Cooperation on Environment and Development (CCICED)**

The report of the 19<sup>th</sup> National Congress of the Communist Party of China (CPC) – held in March 2019 – noted the importance of China shifting from high-speed economic development towards high-quality development. High-quality development reconciles the conflict between unbalanced and inadequate development, the ever-growing needs for a better life, and environmental protection, ecological stewardship and sustainable development.

CCICED council members consider the 14<sup>th</sup> Five-Year Plan as a period of critical importance for China to advance high-quality development and to modernize its national governance system and to improve its national governance capacity. CCICED council members also recognize that the 14<sup>th</sup> Five-Year Plan will be a crucial period for China to play a greater role in global environmental governance, particularly in implementing the UN Climate Agreement, conserving biodiversity, and advancing the Sustainable Development Goals (SDGs).

The Council members suggest, high-quality development should advance the reaching of a new consensus on green development, which will become an important component of the eco-civilization. The 14<sup>th</sup> Five-Year Plan should reach the following three points of consensus on green development:

- **Green development is omnidirectional.** Green development goes hand in hand with eco-environmental protection. It includes but extends beyond controlling pollution and protecting ecosystem, to encompass comprehensive development that includes consumption, production, circulation, innovation and finance.
- **Green development represents a new, comprehensive development model that advances sustainability.** Green development is not a stop-gap measure to redress pollution within traditional industrialization frameworks. Instead, by redefining

the concepts of input and output as well as benefit and cost, green development holds the promise of turning the conflicting relationship between anthropogenic economic activity and the wellbeing of nature into something mutually reinforcing and interdependent. As a result, better allocation of resources can be achieved at a lower cost and better products and services can be provided for the sake of all-round development of humanity.

- **Green development represents new opportunities for growth, enhancing the momentum of innovation.** Green development is not a price for the growth of traditional economy. In fact, green development creates important new momentum for consumption, innovation and growth. Green consumption has become an important pillar advancing the modernization of consumption patterns. Consumers are willing and able to pay for green consumption, many of which are provided in the forms of market competitive products or services. Green demands have in turn become a strong driving force for green development. Green development also provides opportunities for innovation. Green development is not only an exercise of subtraction, but more of addition and multiplication. Only with sufficient understanding, can the advancement of green development be legitimized and rationalized. The advancement of green development should be omnidirectional, covering the reform of governance mechanisms and institutions, shifting development concepts, developing goals and policies, carrying out ecological capital accounting and adjusting industrial structure. It is necessary to use indicators of green development as part of the performance evaluations for government policies, and take the benefits of green development into account as an important aspect of economic and social development. Before a mature system for measurement and accounting of ecological capital is in place, it is recommended to use finance, taxation, price and standards as tools to internalize both ecological costs and wider benefits.

Detailed recommendations are as follows:

#### **I. Seize the historical opportunity to promote green consumption and drive green transformation**

**Increasing consumption and pressure on resources and the environment is holding back China's development towards ecological civilization.** Excessive consumption, wasteful consumption and prevalent irrational consumption patterns further aggravate resource and environmental problems. In some cases, environmental pollution loads in the consumer sector have exceeded the production sector. It is therefore recommended to seize this critical window of opportunity to promote green consumption to meet the people's growing needs for a better life as well as accelerate drive high-quality development. Green consumption also serves as an important means to boost economic and social transformation as well as supply-side reform.

1. **Incorporate within the 14<sup>th</sup> five-year plan green consumption as an objective within the context of ecological civilization.** Currently, there is a window of opportunity for China to shift towards green consumption. Consumer spending habits are undergoing significant changes, making consumption a more significant driver in economic growth. The public is now increasingly concerned about environmental issues as well as achieving a better life and well-being, and are willing to act on those concerns.
2. **Improve and upgrade systems and policies for green consumption with the following focuses.**
  - **Expand green consumption within key economic sectors.** Guided by environmental quality goals, it is recommended to place priority action to: supplying green products that are closely linked to resource and energy conservation and environment improvement, waste separation and recycling within the context of circular economy platforms, public transportation, energy-saving buildings, and relevant technology innovations.
  - **Increase the supply of green products and services.** Establish a sound system of high-quality green product standards and green labels. Prioritize the revision of the "Government Procurement Law" to step up government efforts in this regard and promote mandatory green public procurement. Ease the market access for green products and services, encourage and channel all types of investments into the green industry. Promote green consumption via Internet Plus.
  - **Step up the efforts to promote the circular economy.** Put in place the Extended Producer Responsibility (EPR) approaches and establish green supply chains for business and communities.
  - **Launch a national campaign on “New Lifestyle with Green Consumption”.** Stars and celebrities can have positive influence on consumers’ behavior and turn green consumption into new trends.
  - **Establish a green consumption community governance system and mechanism that is co-established, co-managed and co-benefited.** Clarify the function and position of relevant government agencies in green consumption. Reinforce the functions of consumers’ associations in promoting green consumption, encourage businesses to take more on environmental social responsibility and formulate public-oriented incentive and discipline systems for green consumption.
  - **Improve and enhance market and economic incentives to promote green consumption.** In line with mandatory requirements, encourage the supply of green products and green consumption through market means and economic incentives, especially in the areas such as price, fiscal tax, credit, supervision and market credit.

**Strengthen innovative green infrastructure necessary to support current and future patterns in green consumption.** This includes both green consumption statistical indicator systems and a national green consumption information platform. The capacities of relevant government departments, social organizations, enterprises and the public on green consumption also need to be strengthened. In international infrastructure projects, environmental and social impact assessments should be in place to make sure the projects are green and sustainable.

## **II. Keep up with the changes of the digital era while experimenting with new models of urbanization and regional development**

60% of population in China will live in urban areas by 2020. This number will increase to approximately 80% by 2050. The existing concept, model and institutional system of, as well as the policies for urbanization are largely conceived out of the industrial era and lacks economic, social and environmental sustainability. The dichotomy of “cities - industry” vs. “villages - agriculture” is being overturned by advances in new era of digital technology and high-speed rails.

- 1. Green Urbanization should be a priority of the 14<sup>th</sup> Five Year Plan.** Through innovative measures, China needs to expand clean and low-carbon urban electricity system, develop electric vehicles and shared mobility systems, develop green building guidelines, develop green urban space, promote the construction of green infrastructure and encourage urban green life style.
- 2. Update our understanding of the dynamic relationship between rural and urban spaces.** We need to change traditional concepts of “agriculture-rural areas-farmers” to a broader concept of the “countryside” as places in which high quality development can occur, from the delivery of professional services through remotely connected working, to enhanced connectivity between green cities and countryside, to the production of high quality artisanal green goods and services.

## **III. Establish a mid- to long-term eco-environmental protection strategy for the Yangtze River Economic Belt (YREB); integrate ecological compensation within the green development of YREB.**

YREB should be a strategic priority in the 14th Five-Year Plan, and a model in green basin development.

- 1. Accelerate the formulation of eco-environmental protection strategy for YREB.** Develop comprehensive, science-based environmental targets for the YREB. Focus on turning the strategic visions for 2035 and 2050 as adopted in the 19th NPC Report into

- targets that are aligned with the ecological and environmental characteristics of YREB. Identify the priority tasks for near- and mid-term Yangtze River ecological protection.
2. **Establish a Natural Capital Accounting System in the Yangtze River Economic Belt.** Establish a YREB Natural Capital Balance Sheet to evaluate the quality of economic development and to audit the ecological balances and ecological services from the wider Basin's natural capital. Enhance data sharing and capacity building to advance a basin-wide Natural Capital Accounting system. Undertake pilot demonstration projects at appropriate locations.
  3. **Accelerate the development of a "one vertical + multi horizontal" Ecological Compensation Framework for the Yangtze River Economic Belt.** Continue to increase the financing from and integration of the national budget. Speed up the development of an ecological compensation mechanism in 11 provinces and municipalities along the Yangtze River, establishing a basin-wide ecological compensation mechanism featuring a "one vertical + multi-horizontal" dimensions, relying primarily on local budgets, supported by incentives provided by central budget and broad-based public participation. Explore the establishment of a YREB ecological compensation fund, promote the diversification and marketization of the YREB ecological compensation. Further improve the conditions for implementing green finance projects, require in-basin businesses or industries that rely on natural resource inputs (liquor makers, mineral water producers and electricity generators, etc.) to contribute to the ecological compensation fund. Leverage ecological compensation to promote basin-wide green and high-quality development, explore ecological products reliant upon clean air, water, forestry or other ecosystem services, and find ways to realize their full value. Realize the green mutual benefit and sharing within YREB, open the way for lucid waters and lush mountains to be transformed into invaluable assets, promote the two-way flow of resources in the middle, upper, and lower reaches of the wider basin, and establish a large spatial pattern of ecological compensation that is integrated with green development.
  4. **Strengthen Policing of Yangtze River Protection through the Rule of Law.** The protection of the Yangtze River should be codified by law to reflect its special positioning and requirements. The legislation must be comprehensiveness, while taking into account differences within the wider basin as well as the special pertinence of other factors. The scope of the legislation should be broad enough to cover all elements and all processes of basin-wide management and governance. Focusing on the ecological protection and remediation of the Yangtze River as the main theme, the law should also

balance the relationships among the right to subsistence, right to development and right to the environment. The law should also focus on establishing and improving the system and mechanism of coordinated protection of the ecological environment between the national and local governments, various bureaus and departments, as well as between numerous local governments. The law should clarify the legal constraints in the areas of spatial control, water resource development and utilization, water quality environmental protection, ecological protection and restoration, and risk prevention and control. This document must clarify prohibited activities, as well as activities that need to be discouraged within the Yangtze River Basin.

5. **Implement the ecological protection strategy of "Land-Sea Integrated Management" and "Landscape, Forest, Field, Lake, and Grass Systems"**. Develop a land-to-sea integrated marine ecological environment management system, featuring "protecting the sea from the source, jointly governing the river and sea, jointly clearing the sea, strictly governing the sea, and ecologically using the sea". Carry out systematic management in the region by establishing ecological protection redlines, minimum environment quality standards, resource usage limits and environment-based negative list for market access. Reducing the pollution to the river and ocean caused by solid waste. Explore "ecology + green financing", a restoration and management mode that can be utilized in the important ecological function areas of the upper reaches of the Yangtze River for the Landscape, Forest, Field, Lake, and Grass Systems. Coordinate the ecological co-construction of "Water, Land, Port, Shore, Industry, and City".
6. **Establish a "Digital Yangtze River" platform with cross-sector, cross-regional and multi-stakeholder Participation**. Explore the online-offline synchronization for the environmental management of YREB. Effectively enhance the ability of environmental governance and early warning systems. Establish an "Eco-industry Intelligent Platform" and a cross-regional cooperation platform on green finance. Establish a green supply chain system in YREB. Establish an open platform for diversified cooperation with Belt and Road countries, and enhance the green interest sharing mechanism.

#### **IV. Enhance integrated management in addressing climate change**

The 14<sup>th</sup> Five-Year Plan period marks the key stage for China's carbon emissions to peak ahead of schedule. It is crucial for China to deliver its emission reduction commitment and to achieve transformation into a low-carbon economy. With increasing income levels, the public expects better air quality: improving air quality and reducing greenhouse gas emissions through coordinated management is an inevitable choice for China to achieve high-quality development.

- 1. Greater integration among economic development, energy revolution, environmental quality improvement and climate change action.** By giving full play to the National Leading Group on Climate Change, Energy Conservation and Emission Reduction, we propose to use the war on pollution as a lever to accelerate the transformation in industrial structures, energy mixes, the transportation system and land use planning to support climate action, coordinate targets on development, energy and climate change adaptation, and execute plans, technological advancements, and investment and financing.
- 2. Incorporate binding indicators on climate change into the Central Environmental Inspection Program.** Enhancing local climate change management institutions and their capacity building should be listed as a key task in 2019. We propose to leverage the institutional advantage of the existing supervision system for eco-environmental protection to ensure effective implementation of actions to address climate change. In order to improve greenhouse gas monitoring, reporting and verification, it is recommended to incorporate greenhouse gases into the scope of environmental monitoring, statistics and regulatory systems. A common inventory system for greenhouse gases along with other pollutants is needed. This common inventory of criteria air pollutants and greenhouse gases should include not only carbon dioxide, but other greenhouse gases such as short-lived climate pollutants, methane, black carbon and HFCs.
- 3. Establish total carbon emission control indicators and systems to replace the existing total energy consumption control indicators.** The total energy consumption control should be replaced by total carbon emission control. This can effectively reduce the increase and percentage of coal use, without restricting the growth of clean energy resources, especially zero-carbon energy. Through “double control” (control of total carbon emission and its intensity), we can ensure smooth construction and operation of the national carbon market and achieve carbon reduction targets.
- 4. Further control the use of coal to win the battle defending the blue sky.** Continuous improvement of the environment and air quality requires further control of remaining coal use through high-quality standards including energy efficiency standards. We propose to accelerate action plans to phase-out all non-industrial coal use by around 2020 in key areas such as the Beijing-Tianjin-Hebei Region and the Fenhe-Weihe Plain, while increasing the supply of alternative energy such as natural gas and renewable energy in these areas. During the process, multiple channels shall be developed to expand the sustainable provision of subsidies and financing for renewable energy sources, as well as address subsidies to fossil fuels. Approvals for new coal-fired power plants need to be suspended through long-term

contract or quota system. At the same time, it is recommended to give priority to non-fossil energy to be connected to the grid. It is also necessary to shore up support for the livelihoods of communities in coal-dependent provinces and municipalities.

**5. Reinforce the management and the infrastructure of the carbon market and its required capacity.** Further improve total control objectives and accelerate legislation to enhance its binding force. After straightening out policies for key issues such as fund utilization, the system of quota auctions may be implemented. We further recommend that the scope of the Carbon Pricing System extend to other sectors. A sound carbon market with strong enforcement mechanism can support the development of low-carbon technology and will effectively prevent the construction of high-carbon infrastructure and reduce sunk cost.

**6. Strengthen research and required capacities to come up with nature-based solutions for climate change adaptation.** Climate change adaptation plans should be integrated into national and local government plans. It is important seek synergies among governance programs to support climate adaptation in such areas as water resources management, biodiversity conservation, marine governance, human health protection and infrastructure construction. Work is needed to identify key regions, economic sectors and communities vulnerable to climate-related events, and begin pilot programs for climate adaptation efforts. Development of nature-based climate change solutions – notably forestry protection and reforestation policies, the protection and restoration of wetlands, grasslands, peat and other systems – is strongly encouraged. To better safeguard ecological lands, the use of fertilizers and pesticides shall be effectively reduced.

## **V. Encourage major technological innovations and creative institutional designs in the field of environment**

Innovation is an important driving force for China's economic transformation and green development. The council members recommend the following technical innovations and institutional design worthy of attention and promotion during the 14<sup>th</sup> Five-Year Plan period.

**1. Strengthen research, development and promotion of major low-carbon technologies,** such as energy storage and long-life battery technologies, graphene superconductivity, carbon dioxide capture and storage technologies (CCS), photovoltaic power generation efficiency improvement technologies, carbon dioxide removal (CDR), and other areas of low-carbon/zero carbon innovation (including big-data, block-chain and other tools). In addition, focus shall also be on low-carbon technologies in traditional industries such as steel, cement,

construction, mining, green chemistry, etc.

- 2. Promote technological innovation in urban infrastructure and energy systems,** including expanding urban green and nature-based infrastructure and green zones, high-standard green buildings, clean, low-carbon energy systems, stringent energy efficiency standards for consumer goods like appliances, cooling and lighting systems, and circular economy approaches to waste reduction, sewage treatment, garbage disposal, supported by big-data.
  
- 3. Establish Beautiful China demonstration zones and develop an evaluation system to assess Beautiful China progress.** Establish Beautiful China Demonstration Zones such as ecological provinces, cities, counties and districts which are selected as models and examples for duplication in other areas. Meanwhile, we propose to develop a Beautiful China progress evaluation system with regular evaluations carried out.
  
- 4. Support technical innovation in biodiversity conservation.** This includes techniques needed for demarcation of ecological redline areas, the building of protected area systems featuring national parks, the planning and design of ecological corridors and biodiversity networks, and more effective and coherent use of eco-compensation. Innovation also covers technologies such as big data and artificial intelligence in biodiversity conservation, integrated space-air-ground biodiversity monitoring, biodiversity conservation effectiveness assessment, restoration and upgrading of damaged ecosystem functions, natural resource capital accounting and ecological compensation. Ecological stewardship requires wider public participation for enduring results.

## **VI. Make biodiversity conservation a national strategy, thus creating a positive example internationally**

During the 13<sup>th</sup> Five-Year period, biodiversity conservation has been mainstreamed into China's top-level decision making. But the implementation of “protection comes first” falls short of expectations. In reality, protection often comes second to development and most places are struggling to strike a balance between protection and development. There is a lack of coordination between protection and poverty reduction.

- 1. Top-level design.** Further accentuate biodiversity conservation. Adopt comprehensive legislation, laws, regulations, market incentives and policies to ensure thorough implement at all levels. Establish an inclusive participation mechanism comprised of government, business and community, forming a virtuous cycle where development and protection reinforce one another. Under the principle of “prioritizing

protection and sustainable utilization”, we thus propose to step up the research on breeding and cultivating wildlife resources, upgrade technologies for less consumption of biological resources, improve the ecological compensation system to truly benefit protectors and minimize damage to important species. It is equally important to strengthen the development of the green BRI-related policies, to share the Chinese experience on ecological protection redline in terms of the concept of protection, technology innovation and implementation and management systems. Join the global fight against biodiversity loss, forest and land degradation, and marine pollution, including through the application of high standards and stringent safeguards in partnership and a spirit of cooperation.

**2. Institutional design.** Develop and implement the 2020-2030 Biodiversity Conservation Action Plan. We propose to legislate biodiversity conservation and assess the state of biodiversity regularly. It is important to stand by the concept that mountains, rivers, forests, farmlands, lakes, and grasslands form an integrated community of life in ecological remediation and restoration. We also recommend building and improving a management system for protected natural areas with national parks at its core, demarcating ecological protection redline and building a stringent ecological protection system. At the same time, the sustainable use of biological resources is an important opportunity, including by applying high standards for sustainably-sourced commodities like palm oil, soy and other materials used in global supply chains. An improved ecological compensation mechanism can in turn elevate the living standards of people in poverty-stricken areas and contribute to a better environment.

## **VII. Promote marine sustainable development and step up China's contribution to the global marine governance**

The UN 2030 Agenda for Sustainable Development has brought a deepening awareness of marine sustainable development, concrete measures across the world. Scientific evidence confirms that more action is needed. Thus far China has not reversed the deterioration of offshore ecosystem. To this end, we recommend that the Chinese government enhance marine ecological protection and governance capabilities through better marine governance and more active participation in global governance:

**1. In domestic marine governance,** the network of protected areas should be activated, as different marine ecosystems are interconnected. At the same time, the objectives of protecting natural resources, biodiversity and ecosystem services must be kept in mind to guarantee continuous supply of various ecosystem services. Two adjustments are suggested: Firstly, during the 14<sup>th</sup> Five-Year Plan period, all plans involving onshore and offshore development must factor in the vulnerability of the offshore ecosystem. Secondly, the “nonmarket” value of ecosystem services in developing China’s marine economy should be appreciated. As a result, China’s growth expectation will be focused on sustainability, stability, and long-term drivers.

**2. China's participation in global governance** entails more attention to marine sustainable development during the 14th Five-Year Plan period. Achievable goals must be set and measures must be in place. In the development and protection of the deep sea and the exploitation of its resources, China should actively contribute to developing and reviewing international norms for resources sustainable development, showcasing that China is a responsible major country. China should work towards greater influence on BRI countries in the development of sustainable marine economy by securing the quality and ecological functions of offshore environment.

### **VIII. Make the green development of the BRI an important vehicle for global ecological civilization and a green community with a shared future**

The BRI has a profound and broad influence globally, as a public good aligned with the multilateral agenda. Progress towards a green BRI is aligned with the UN 2030 Agenda for Sustainable Development. Promoting green and high-quality development under the BRI is a top priority. Therefore, we propose the following areas for improvement:

- 1. China should play an active part in global environmental, biodiversity, oceans and climate governance and turning the BRI into an important vehicle for global ecological civilization and a green community with shared future.** Disseminate the concept and best practices of eco-civilization through BRI. A green BRI can be a gateway for partnering countries to participate in the establishment, implementation and reform of global environment and climate governance systems. Leveraging on the establishment of BRI Green Development Coalition, forge the relationships and networks among international partners contributing to the green development of BRI. Launch Green BRI for Cities Initiative. Green BRI for Cities should create partnerships among green cities to share best practices in promoting green development and sustainable urbanization among BRI countries. The Belt and Road Green Coalition should be supported by clear work-plans, target and timetables to success.
- 2. Build a Green BRI Strategic Alignment Mechanism by aligning policies, plans, standards, and technologies.** A set of clear guiding principles, including standards and safeguards for green development, low-carbon development, and circular economy, are needed to mainstream environmental protection and sustainable development into the regional and national development. Strategic alignment supported by multilateral and bilateral mechanisms, objectives, targets and systems should support the alignment of

the green BRI agendas among partnering countries. Aligning plans may create more opportunities for environment cooperation in BRI-related programs, e.g. countries with plans of infrastructure interconnectivity and international capacity cooperation may consider jointly drawing up environmental protection and green development plans. Enhance the alignment of standards and technology. Environmental standards should satisfy the standard of local environment, and explore the development of a unified basic standard.

- 3. Build a green BRI source-oriented precautionary mechanism and guide green investment with green finance and EIA system.** In this regard, the council members propose the following specific steps:
  - a) Establish an EIA mechanism to rate proposed projects from multiple aspects, develop EIA tools for BRI projects, , improve EIA platforms and processes, drawing on current best-practices, and encourage the involvement of stakeholders;
  - b) Support BRI with green finance at 3 levels:
    - i. Globally, set up BRI green investment and financing principles and guidelines and establish a specialized financing and investment guarantor institution with contributions from BRI countries, setting up a BRI green development fund and working towards financial information disclosure of institutions;
    - ii. Domestically, creating market demands for green financing and cultivating responsible investors, guiding and encouraging financial institutions to establish green investment and financing mechanisms pursuant to financial regulatory policies;
    - iii. Institutionally, encouraging financial institutions to create a clear green financial development strategy, introducing sound green financial policies overseeing businesses abroad, establishing a set of comprehensive risk assessment methods and a whole-process management mechanism in response to environmental and social risks, factoring sustainability into investment decision-making and disclosing environment information.
  
- 4. Promote green production and consumption in BRI countries and facilitating trade in environmental goods and service.** Step up the management of green supply and value chains, fully tap the cooperation platform for BRI green supply chains, set up piloting programs to replicate the best practices in green supply chain management, develop environmental management policy tools, and seek to green the supply chain and value chain by applying green standards and green labeling. We should improve green labeling and certification systems within supply chains, and advance green government procurement actions.

- 5. Strengthen the green BRI people-to-people ties and stepping up personnel exchange and capacity building.** We should implement the program of the Green Silk Road Envoys which is set to provide trainings on fighting prevention and climate change for environment officials and young scholars in BRI countries. We should enhance exchanges and cooperation among environmental NGOs, improve the mechanism for NGOs participation and create a mechanism for consultation and participation. We should promote gender mainstreaming. Female officials in the field environmental protection in relevant countries shall be organized will be given the training of “improving women’s leadership in environment matters”.