

Reading Between the Lines: China's Climate Policy Ahead of COP26

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The 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change will take place in Glasgow, United Kingdom, from 31 October to 12 November. The conference will be an opportunity to measure the progress made since the signing of the legally binding Paris Agreement in 2015 and to evaluate the state of international cooperation on climate change.

For the UN, and other multilateral groups such as the G20, China's contribution to the debate will be seen as pivotal. The decision by President Xi on whether to attend could be seen as symbolic of China's level of commitment to decarbonisation.

Unlike many other policy spheres, climate change transcends geographical boundaries and cannot be effectively tackled via bilateral or regional

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collaboration alone. As the world's biggest emitter of greenhouse gases – its emissions exceeded the combined total of all OECD countries and EU members in 2019¹– China has a crucial role to play in global climate policymaking and will have a strong influence on the outcome of COP26.

Part of what determines the success of COP26 will be the extent to which high-polluting nations such as China, India and Brazil follow Europe and the U.S. in committing to an aggressive reduction in the use of fossil fuels. This will be reflected at COP26 in the review of participants' Nationally Determined Contributions (NDC), which are essentially score cards on progress toward meeting the emissions reduction goals under the Paris Agreement. Signatories to the agreement are required to submit NDC updates to the UN every five years.

China submitted its first NDC in 2016 but, although Chinese President Xi Jinping and other officials have repeatedly committed to update and enhance the country's NDCs, it has yet to unveil its five-year update, which is due in 2021².

Teneo developed this memo to cast light on where China stands and what we can expect from the country's delegates to COP26. We do this by spelling out the four key climate action items that will drive the discussions in Glasgow. We then examine climate announcements, policy statements and speeches by government officials over the past year to help 'read between the lines' and gain insight into China's progress and intentions regarding the four action areas. This is followed by an overview of climate change policy announcements by key Chinese companies and an examination of some of the key challenges the country

faces as it moves to tackle what is arguably the defining issue of our age.

China Updates Climate Change Policy Ahead of COP26

When addressing the COP15 gathering on biodiversity held in Kunming city, China, during 11–15 October, President Xi stated that China would "put in place a '1+N' policy framework for carbon peak and carbon neutrality"³. "1" refers to the long-term approach to combating climate change, while "N" refers to solutions to achieve peak carbon emissions by 2030. This process would be supported by technology development, China's recently introduced national carbon emissions trading scheme and fiscal policy⁴.

On 24 October 2021, the Central Committee of the Communist Party of China and the State Council jointly released a document titled "Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy" to set guiding principles and specific goals for achieving carbon neutrality. The document outlines China's main overarching climate targets and includes policy directions for emission reduction in sectors considered crucial to achieving decarbonisation in China, including heavy industry, energy and utilities, transportation, construction and technology.

The Working Guidance document provides an overview of previously announced climate policies and gives indications of policy action and reforms that could take place over the coming 10 years in relevant sectors of the economy.

¹ <https://rhg.com/research/chinas-emissions-surpass-developed-countries/>

² <https://www.reuters.com/business/environment/chinas-hard-climate-stance-with-us-imperils-glasgow-talks-2021-09-15/>

³ https://english.mee.gov.cn/News_service/media_news/202110/20211012_956262.shtml

⁴ https://www.ndrc.gov.cn/xxgk/jd/jd/202110/20211024_1300727.html?code=&state=123

That said, the Working Guidance document is high-level and contains few quantitative targets or specific measures. Indeed, much of the content has already been published in various policy documents and statements. As a result, we consider the document to be an overview of China's climate policy for the past few years and an indication of the measures we can expect over the coming decade.

COP26 Agenda Highlights Four Key Action Areas

When COP26 delegates meet in the UK, they will focus on four key climate change agenda items: mitigation, adaptation, finance and collaboration⁵. This section provides an overview of these four areas and, in doing so, establishes a lens through which we will examine China's policy position as we approach COP26.

- 1. Mitigation⁶** – The Paris Agreement established a goal of limiting global temperature rise to 1.5° Celsius in order to mitigate the long-term implications of climate change. Zero emissions targets are key to this goal, and COP26 participants are expected to show up with ambitious 2030 decarbonisation targets as milestones on the path to reaching net zero emissions by 2050. These targets should include roadmaps for emissions reduction strategies such as phasing out coal power generation, adopting renewable energy and curtailing deforestation.
- 2. Adaptation⁷** – COP26 participants will be asked to present plans for building resilience to the near-term effects of climate change, including severe weather effects. Related initiatives could include

protecting and restoring natural ecosystems and habitats that mitigate climate effects, as well as developing mechanisms and infrastructure to defend against the impact of extreme weather. This includes producing national level 'Adaptation Communication' programs that summarise the plans, highlight the challenges that the given country or territory faces and share best practices.

- 3. Finance⁸** – In order to implement climate change mitigation plans and reach adaptation goals, developed nations will be expected to show that they are delivering on previous pledges of at least US\$100 billion in climate financing per annum to support climate mitigation efforts in the developing world. Ideally this would be complemented by private financing commitments and delivery as individual corporates in signatory countries and territories announce climate goals.
- 4. Collaboration⁹** – COP26 will push for the creation of a robust cross-border carbon market to support decarbonisation, a goal that participants failed to achieve during COP25. This market would ideally be complemented by a mechanism for participating countries and territories to track their decarbonisation progress. Such a mechanism is considered crucial if aggregate global warming is to be limited to 1.5° Celsius and will be viewed by many as a key determinant of the success of COP26.

⁵ <https://ukcop26.org/cop26-goals/>

⁶ <https://ukcop26.org/cop26-goals/mitigation/>

⁷ <https://ukcop26.org/cop26-goals/adaptation/>

⁸ <https://ukcop26.org/cop26-goals/finance/>

⁹ <https://ukcop26.org/cop26-goals/collaboration/>

China's Climate Policies and the COP26 Agenda

As mentioned above, China has yet to release updated NDC declarations. That said, the Working Guidance paper released on 24 October and multiple domestic climate commitments announced over the past year provide significant insight to the country's climate policy plans. In the following pages we highlight insights from the Working Guidance report and an array of climate announcements, policy statements and speeches by government officials over the past year to deliver insight into China's progress and intentions regarding the four key action areas that will drive the COP26 sessions.

1. Mitigation

Climate change mitigation has been under the spotlight in China recently as power outages have rolled across the country due to a confluence of coal supply bottlenecks, high coal prices and growing electricity demand as factories ramp up to meet strong export demand. Heavy rains and flooding that have been attributed to climate change have contributed to the coal shortage. While they won't deliver immediate relief to the power supply shortages, China has made significant climate change mitigation commitments over the past year via the policies outlined below.

Peak carbon emissions before 2030 and achieve carbon neutrality by 2060¹⁰: In order to achieve its net-zero carbon pledge by 2060, China aims to reduce its energy consumption per unit of GDP by 13.5% and CO₂ emissions per unit of GDP by 18% by 2025¹¹. China also targets cutting the carbon intensity of its

economy by more than 65% by 2030 compared to the 2005 level¹². Of note, China's carbon neutrality pledge covers a range of major greenhouse gases in addition to CO₂, including methane and hydrofluorocarbons (HFCs)¹³.

At the same time, curtailing energy and carbon intensive projects is seen as a short-term avenue to control emissions¹⁴ and the Ministry of Environment and Ecology published a Guiding Opinion to regulate such projects and minimise their impacts in May¹⁵. Under the Guiding Opinion, production capacity controls will be imposed on the coal-fired power, petrochemicals and coal-based chemical industries.

Cutting the production and use of HFCs: As a signatory to the June 2021 Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer¹⁶, China pledged to limit its emissions of HFCs, a greenhouse gas that is 14,600 times more powerful than CO₂¹⁷. The amendment took effect on 15 September 2021, but for the time being does not apply to Hong Kong SAR.

Increasing the share of non-fossil energy in China's total energy consumption to around 25% by 2030 from 15.8% in 2020¹⁸: According to the National Energy Administration (NEA), China's installed renewable power generation capacity grew 9.5% year-on-year to reach 2.26 billion kilowatts in the first half of 2021. This increase is comprised of wind farm capacity growth of 34.7% year-on-year to about 290 million kilowatts and solar power capacity growth of 23.7% year-on-year to around 270 million kilowatts¹⁹.

¹⁰ http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm

¹¹ http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm

¹² http://www.gov.cn/xinwen/2020-12/13/content_5569136.htm

¹³ <https://m.21jingji.com/article/20210724/herald/864eaceab76b7cb9d6fd0d5451e70bf2c.html>

¹⁴ https://www.ndrc.gov.cn/fzggw/jgsj/hzs/sjdt/202106/t20210617_1283433.html?code=&state=123

¹⁵ https://www.mee.gov.cn/xxgk/xxgk03/202105/t20210531_835511.html

¹⁶ https://www.mee.gov.cn/ywdt/hjywnews/202106/t20210621_841062.shtml

¹⁷ <https://insideclimatenews.org/news/22092021/china-super-pollutants-kigali-amendment-montreal-protocol/>

¹⁸ <https://www.scmp.com/economy/china-economy/article/3130313/can-china-really-kick-its-coal-addiction-achieve-carbon>

¹⁹ http://english.scio.gov.cn/pressroom/2021-07/19/content_77636358.htm

At the headline level, China aims for more than 80% of the energy consumption to be non-fossil fuel derived by 2060²⁰. In addition, President Xi has indicated that China will strictly control its coal consumption during the period of its 14th Five-Year Plan (2021–2025) and will “phase it down” during its 15th Five-Year Plan (2026–2030)²¹. Similarly, China targets achieving peak fossil fuel consumption during the 15th Five-Year Plan period²².

A moratorium on financing new coal-fired power projects abroad: At the 76th session of the UN General Assembly held in September 2021, President Xi announced that China would stop financing new coal-fired power projects abroad²³. A timeline for this commitment has yet to be announced, and the updated NDCs or an announcement at COP26 could give more visibility on this commitment.

National Carbon Emissions Trading

Scheme: China's national carbon emissions trading scheme (ETS) debuted on 16 July 2021, with the first batch of trading covering 2,162 power companies. Under the scheme, companies have been assigned carbon emissions quotas and can sell surplus emission allowances on the market. Although no timeline has been set, the ETS is expected to expand to cover heavy industries such as cement, steel, aluminium, chemical and oil and gas production²⁴.

Building a low-carbon transportation

system: China targets having new electric vehicle (EV) sales reach 20% of overall new car sales by 2025²⁵. Vehicles with low-carbon features and energy conservation functions will

also gradually replace models with high energy consumption and high emissions. At the same time, public transportation will be expanded to maximise efficiency and enable larger-scale and more intensive operations.

Promoting green building practices: Energy conservation standards for new buildings will be gradually tightened. At the same time, efforts to develop ultra-low energy, near-zero energy and low-carbon buildings will be accelerated. In addition, energy consumption caps, energy efficiency assessments and energy efficiency labelling will be introduced for buildings. Management of building demolition will also be improved and large-scale demolition and construction projects will be avoided when possible²⁶.

2. Adaptation

The importance of climate change adaptation in China has also been apparent in recent headlines, with torrential rain having flooded large swathes of China's Henan Province in July 2021. The floods reportedly affected more than 9.3 million people, caused 302 deaths²⁷ and were a contributing factor in the abovementioned coal supply shortage. Key adaptation policies announced in China over the past year are outlined below.

Conservation and eco-compensation policy:

China's 14th Five-Year Plan (2021–2025) specifies that environmental restoration work be carried out over 25 million hectares of land in various nature reserves across China²⁸. It also calls for the establishment of new national parks to protect more than 230,000 square kilometres of land that are home to about 30% of China's endangered flora and fauna²⁹.

²⁰ http://www.gov.cn/zhengce/2021-10/24/content_5644613.htm

²¹ http://www.xinhuanet.com/english/2021-04/22/c_139899289.htm

²² http://www.gov.cn/zhengce/2021-10/24/content_5644613.htm

²³ http://chnun.chinamission.org.cn/eng/zt/20210921/t1908616.htm?utm_medium=email&_hsmt=2&_hsenc=p2ANqtz-Vx2AfiAfrBMRiHtvkNWzRDNVx8VO31vHSG4ez7dJeyQZGWJ_oOTID9yu2Birz1_mSflmqHfCd80FgKsZnkU2eACaUBA&utm_content=2&utm_source=hs_email

²⁴ http://www.ccicd.net/xwzx/hfyw/202101/t20210111_113534.html

²⁵ http://www.gov.cn/zhengce/content/2020-11/02/content_5556716.htm

²⁶ http://www.gov.cn/zhengce/2021-10/24/content_5644613.htm

²⁷ <https://www.163.com/news/article/GGDLBBVE00018990.html>

²⁸ http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm

²⁹ http://www.gov.cn/xinwen/2021-10/12/content_5642048.htm

Alongside these initiatives, the plan pledges to increase and enhance the robustness of financial support for maintaining key ecological zones across the region³⁰. Finally, the plan calls for promoting and marketizing pollution and water rights³¹.

Raising the coverage rate of China's forests:

The coverage rate for forests, which are effective carbon sinks, will be further enhanced in the upcoming 10 years. The plan aims for forest coverage to reach 24.1% and 25.0% in 2025 and 2030, respectively, with aggregate forest stock rising to 19 billion cubic meters by 2025.

Introducing a national “forest chief”

scheme: In January 2021, the Chinese government issued guidelines for the implementation of a nationwide “forest chief” scheme to protect forests and grasslands. The scheme targets strengthening the protection of forests and grasslands, promoting large-scale reforestation programs and enhancing monitoring and supervision of forest and grassland resources³².

Nurturing carbon reduction talent: In July 2021, China's Ministry of Education introduced a programme to promote high school subjects related to achieving carbon neutrality. The move aims to build a strong theoretical foundation for students who can contribute to research and development in the area of carbon neutrality and build a pipeline of talent to help drive carbon neutrality related programs in the long run³³.

Establishing an RMB1.5 billion fund to support biodiversity development: At the COP15 gathering on biodiversity held earlier in October, Chinese President Xi Jinping

announced the launch of the RMB1.5 billion (US\$232.5 million) Kunming Biodiversity Fund to support biodiversity protection in developing countries. The commitment comes alongside the adoption of the Kunming Declaration on biodiversity recovery³⁴.

3. Finance

Green finance has received a great deal of attention globally – and in China – as corporates have looked to raise funding for ESG-related projects and financial firms have moved to meet growing consumer demand for ESG-related investment options. This process has been accompanied by the development of market mechanisms to support green financing in areas such as standardised reporting requirements and monitoring for greenwashing. China has been active in each of these areas, with a variety of related programs and regulations outlined below.

Green finance reform: The People's Bank of China (PBoC) aims to support the green financial system by using policy tools to channel funding to related initiatives. The ultimate goal is to boost the financial system's ability to factor climate-related risks into financial decision making and facilitate active trading under the national carbon emissions trading scheme.

In April, the PBoC issued an updated Green Bond Endorsed Project Catalogue (2021) as a foundation for green financing initiatives. The update, which came into effect in July, removes the “clean use of coal” as an endorsed green financing category and eliminates a variety of fossil fuel production projects that formerly qualified as “green”. The new version also adds carbon capture, utilisation and storage (CCUS) as an endorsed green financing category.

³⁰ https://www.mee.gov.cn/zcwj/zyygwj/202109/t20210913_936077.shtml

³¹ <http://www.scio.gov.cn/xwfbh/gbwxwfbh/xwfbh/fzggw/Document/1699044/1699044.htm>

³² http://english.scio.gov.cn/topnews/2021-01/13/content_77110752.htm

³³ http://www.moe.gov.cn/srcsite/A16/moe_784/202107/t20210728_547451.html

³⁴ http://www.gov.cn/xinwen/2021-10/12/content_5642048.htm

The Central Government has also encouraged banks, equity investment institutions and fund management companies to support green and low-carbon investment overseas. As of the end of 2020, China had issued US\$1.8 trillion worth of green loans and US\$125 billion worth of green bonds³⁵, the second highest level globally after the U.S.³⁶

Asian Infrastructure Investment Bank (AIIB)

financing: In April 2021, AIIB launched the Sustainable Development Bond Framework as a tool to help bond investors assess whether or not an institution is living up to its commitments to sustainable development. The framework, which will guide how projects are selected for financing and how the bank works with funding recipients to meet their responsibilities under the Paris Agreement and the UN Sustainability goals, applies to all debt issued by AIIB in all markets and currencies globally³⁷.

Establishing international sustainable

taxonomy standards: The PBoC has pledged to gradually include climate-related risks in its macro-prudential policy framework. The institution is currently preparing a new green finance document to support collaboration with the EU on the development of a common taxonomy for green finance within the International Platform on Sustainable Finance framework by the end of 2021³⁸.

Value realisation mechanism for ecological

products: In April 2020, the Chinese government issued guidelines that call for the development of a policy framework to support value realisation for ecological products by 2025 and a solid value realisation model by 2035³⁹.

Disclosure requirements for listed

companies: All listed companies in China are now required to disclose administrative penalties related to environmental issues in their annual reports. The China Securities Regulatory Commission (CSRC) also requires listed companies to clearly communicate their contributions to environmental protection and social responsibility in their annual reports⁴⁰.

4. Collaboration

Collaboration on climate change initiatives will be front and centre at COP26, with announcements during and after the event being scrutinised closely to determine what pledges have been made and where responsibility lies. While the abovementioned cross-border carbon market will be a key milestone to measure the level of collaboration achieved, China will be scrutinised closely to see how it plans to incorporate green initiatives into its domestic policy (for instance in its power generation system) and foreign relations (via foreign direct investment). We provide an overview of recently announced collaboration initiatives below.

Green foreign investment: China's Ministry of Commerce and Ministry of Ecology and Environment issued a new policy in July that emphasises the need for corporations and financial institutions to observe international and local environmental rules and standards when pursuing overseas investments⁴¹. The just-released Working Guidance paper also mentions that China will support Belt and Road countries in developing environmentally friendly technologies, services and infrastructure⁴².

³⁵ http://www.xinhuanet.com/english/2021-07/02/c_1310040157.htm

³⁶ <https://www.nasdaq.com/articles/china-leads-global-green-bond-sales-boom-but-faces-headwinds-2021-04-01>

³⁷ <https://www.aiib.org/en/news-events/news/2021/AIIB-Launches-Sustainable-Development-Bond-Framework.html>

³⁸ http://www.news.cn/english/2021-09/06/c_1310171879.htm

³⁹ http://english.www.gov.cn/policies/latestreleases/202104/27/content_WS60874504c6d0df57f98d89d1.html

⁴⁰ http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/202106/t20210628_400481.html

⁴¹ <http://www.mofcom.gov.cn/article/news/202107/20210703176325.shtml>

⁴² http://www.gov.cn/zhengce/2021-10/24/content_5644613.htm

Coordination and collaboration with developing nations: China has actively engaged with global peers at a wide variety of climate-related conferences and events where it has been a vocal advocate for developing nations, as it considers itself to be a developing nation. It has taken these opportunities to repeatedly highlight that Principle 7 of the Rio Declaration – which outlines the “common but differentiated responsibilities and respective capabilities” of countries and territories – is fundamental to climate talks⁴³.

China has also urged developed nations to “scale up support for developing countries in financing, technology and capacity building”⁴⁴ to accelerate the low-carbon transition in developed markets and to avoid imposing green trade barriers⁴⁵. This has been complemented by calls for the developed world to provide developing countries with already pledged climate mitigation and adaption financing.

China also holds regular ministerial level climate meetings with the four so-called “BASIC” – Brazil, South Africa, India and China – newly industrialised nations. At the last

meeting, held in April 2021, the four countries reached consensus on their stance on discussion topics for COP26. Finally, China has participated in ministerial level climate meetings with the Like-Minded Group of Developing Countries (LMDC)⁴⁶ and the G77⁴⁷.

Examples of Corporate Climate Action

In addition to the wide array of official government policy announcements in China over the past year, the private sector has been stepping up with major climate commitments. This section outlines emission reduction and other environmental targets announced by five major Chinese corporations, including state-owned enterprises (SOE) and private companies across a variety of industries.

These targets are not necessarily directly related to China's participation in COP26, but are examples of how corporations are responding to the climate policies outlined above. Commitments announced by SOEs are of particular importance, since their ownership structure suggests that their policies are explicitly or implicitly endorsed by the central government.

Company	Sector	Ownership	Emission Targets	Other Targets
China Petroleum & Chemical Corporation (Sinopec) ⁴⁸	Finance	SOE	<ul style="list-style-type: none"> – Emissions peaking by 2030 – Carbon neutrality by 2050 	<ul style="list-style-type: none"> – Increase the proportion of non-fossil energy use from 15.7% in 2020 to 18.8% in 2025 – Reduce the proportion of coal-derived energy use from 56.7% in 2020 to 51.3% in 2025
Industrial & Commercial Bank of China ⁴⁹	Finance	SOE	<ul style="list-style-type: none"> – Collaborating with clients to expand green finance offerings 	<ul style="list-style-type: none"> – Plans to establish various green finance protocols and risk management mechanisms – Formulating a roadmap to exit coal financing⁵⁰

⁴³ http://www.xinhuanet.com/politics/leaders/2020-09/30/c_1126565287.htm

⁴⁴ https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1840220.shtml

⁴⁵ http://www.xinhuanet.com/english/2021-04/22/c_139899289.htm

⁴⁶ https://www.mee.gov.cn/ywdt/hjywnews/202110/t20211019_957152.shtml

⁴⁷ https://www.mee.gov.cn/xgk2018/xgk/xgk15/202010/t20201029_805496.html

⁴⁸ <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0328/2021032800043.pdf>

⁴⁹ <http://v.icbc.com.cn/userfiles/Resources/ICBCLTD/download/2021/shzr202108.pdf>

⁵⁰ <http://finance.people.com.cn/BIG5/n1/2021/0531/c1004-32117813.html>

Company	Sector	Ownership	Emission Targets	Other Targets
Huawei Investment & Holding ⁵¹	Tech	Private	<ul style="list-style-type: none"> – Reduce carbon emissions per unit of sales by 16% by 2025 compared with 2019 	<ul style="list-style-type: none"> – Increase energy efficiency of main products by 2.7 times by 2025 compared with 2019 – Require Top 100 suppliers to set decarbonisation targets by 2025⁵²
Alibaba	Tech	Private	<ul style="list-style-type: none"> – Group level: Formulating a carbon neutrality technical roadmap⁵³ – Subsidiary level: Ant Group targets carbon neutrality by 2030⁵⁴ 	<ul style="list-style-type: none"> – Issued green bonds to support sustainable development – Has implemented programs to lower the carbon footprint of day-to-day business operations
China COSCO Shipping ⁵⁵	Shipping	SOE	<ul style="list-style-type: none"> – Reduce carbon emissions by at least 50% by 2050 compared with 2008 – Achieve zero greenhouse gas emissions in the long run – Reduce carbon intensity of service vessels by at least 40% and reduce carbon intensity by 70% by 2030 compared with 2008 	<ul style="list-style-type: none"> – Grow its LNG shipping business – Establish mechanisms to reduce waste and exhaust gas

Although five companies are not a large sample size, it is clear that Chinese companies have diverse goals that range from setting ambitious long-term targets to loose commitments to set targets. The fact that some SOEs do not have clear climate targets suggests that the central government has yet to make a strong push to have corporates set clear climate goals.

That said, it should be noted that although some of the companies highlighted above have yet to set ambitious emission reduction targets, most repeatedly allude to the government's 2030 carbon peaking and 2060 net zero targets in the sustainability sections of their reports, websites and publications.

China Climate Policy Challenges

The government and corporate policies and commitments outlined above represent a formidable foundation for action on climate change. That being said, there are a number of key domestic and international factors that could hinder the country's ability to deliver on these pledges and on the more ambitious action that will be needed to make a real difference with regard to climate change.

Energy mix: Phasing out coal remains one of the major issues bedeviling China's decarbonisation efforts. Coal currently accounts for more than 60% of power generation capacity in China⁵⁶. China's total installed coal power generation capacity is larger than that of all other countries combined, and its coal-fired power plants are younger than the

⁵¹ <https://www.huawei.com/minisite/tech-4-better-planet/en/>

⁵² <https://www.huawei.com/minisite/tech-4-better-planet/cn/reducing-carbon-emissions.html>

⁵³ http://www.xinhuanet.com/tech/2021-04/29/c_1127391547.htm

⁵⁴ https://mp.weixin.qq.com/s/T54_l3q_-8dPd8uVk-qyew

⁵⁵ http://www.coscoshipping.com/module/download/download.jsp?i_ID=173635&colID=17758

⁵⁶ <https://iea.blob.core.windows.net/assets/6689062e-43fc-40c8-9659-01cf96150318/AnenergysectorroadmapcarbonneutralityinChina.pdf>

global average, making them difficult to retire early in an economical manner⁵⁷. In addition, China continues to add new coal-fired power generation capacity – in 2020, the country commissioned new coal-fired plants with 38.4 GW of power capacity (a net 29.8 GW increase), representing 76% of the world's total commissioned coal plants for the year⁵⁸.

Against this backdrop, it comes as no surprise that China has no roadmap for how to phase coal out of its energy mix while also meeting the power consumption needs of its growing economy. In the second half of 2020, as China pursued a speedy post-COVID recovery, coal consumption rose by 3.2% year-on-year, oil consumption rose by 6.5% and gas consumption by 8.4%. Cement and steel production, which is highly energy intensive, also rose by 8.4% and 12.6% year-on-year, respectively⁵⁹.

The difficulty of shifting China's energy mix is further amplified by the abovementioned power shortages. This is certain to be a topic of discussion at COP26, and climate change watchers will be paying close attention to China's energy mix roadmap in the coming months, particularly when its updated NDCs are released.

Policy timeline: The Chinese government has released relatively few details about its decarbonisation roadmap to reach its 2060 net zero target. China relies heavily on its five-year plans to manage its economic development, but climate change arguably requires more comprehensive planning that encompasses central government action, local government programmes and private sector initiatives.

For example, although the State Council has set a 2035 target of expanding the use of EVs, there are no accompanying long-term goals to promote EV infrastructure⁶⁰. Similarly, as mentioned above, no concrete timeline has been set to phase out of coal, meaning EVs will continue to be charged with “dirty” power. This lack of policy coordination represents a potential stumbling block on the road to a zero-carbon future for China, but this issue is hardly unique to China.

Geopolitics: Although the U.S.-China trade dispute is no longer headline news, relations between the two nations remain fractious and are affecting collaboration in areas such as climate. In September 2021, US Special Presidential Envoy for Climate John Kerry proposed that climate change be treated as a standalone issue unhampered by politics⁶¹ and encouraged China to “take additional steps to reduce emissions”. China declined the proposal on the grounds that climate change “cannot be divorced from the overall situation”⁶² in terms of bilateral relations. However, this does not mean that China is not active in terms of international collaboration on climate change, as noted in the collaboration section above.

Domestic response: While environmental consciousness is becoming more deeply entrenched in Chinese society, economic development arguably remains the highest priority for the government. The recent power shortages, which pundits have at least partially attributed to “campaign style” local government decarbonisation attempts, have impacted as much as 44% of China's industrial activity.⁶³ Against this backdrop, Chinese Premier Li Keqiang has stressed the importance of maintaining a stable energy supply and said the country needs to construct more coal

⁵⁷ <https://www.nature.com/articles/s41467-021-21786-0#ref-CR3>

⁵⁸ https://globalenergymonitor.org/wp-content/uploads/2021/04/BoomAndBust_2021_final.pdf

⁵⁹ <https://climateactiontracker.org/countries/china/policies-action/>

⁶⁰ http://www.gov.cn/zhengce/content/2020-11/02/content_5556716.htm

⁶¹ <https://www.reuters.com/world/asia-pacific/china-holds-virtual-climate-meeting-with-us-describes-environment-policy-oasis-2021-09-02/>

⁶² https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1904000.shtml

⁶³ <https://www.reuters.com/world/china/goldman-cuts-china-gdp-growth-forecast-cut-energy-supply-crunch-2021-09-27/>

power plants to ensure that it can meet its own power needs⁶⁴. He also mentioned that “indiscriminate” efforts to cut carbon emissions via lower electricity consumption should be discouraged.

This potentially puts local governments in a difficult position. They do not necessarily welcome environmental targets, as GDP growth has traditionally been the key metric determining the career paths of provincial and municipal officials. Climate-related targets are especially unfavourable to provinces and municipalities with economies that rely heavily on the manufacturing and mineral extraction industries. In the first half of 2021, only one-third of 30 provinces and directly administered municipalities in China were rated as “on track” to meet their 2021 energy consumption and intensity targets⁶⁵. Meeting China's global climate pledges will ultimately rely on domestic implementation of targets, which will require buy in from provincial and municipal authorities.

The Chinese Delegation to COP26

As of this writing, little is known about the size and constituents of the Chinese delegation to COP26. The Chinese delegation to COP25 consisted of representatives of the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Transport and the Ministry of Science and Technology. Representatives of think tanks and universities like the National Center for Climate Change Strategy and International Cooperation and Tsinghua University also joined the delegation⁶⁶.

Chinese President Xi Jinping is reportedly unlikely to attend the summit in person due to COVID-19 considerations⁶⁷. His non-attendance, following Russian President Vladimir Putin's decision not to attend, threatens to undermine the UK's hopes of achieving a meaningful global commitment to further decarbonisation.

In the potential absence of President Xi, China's highest ranking in-person attendee is likely to be Xie Zhenhua, China's Special Envoy on Climate Change⁶⁸. This section provides an overview of Xie's credentials and highlights other Chinese government departments that are likely to send representatives or otherwise be involved in the COP26 proceedings.

- **Xie Zhenhua**, China's Special Envoy on Climate Change, is a veteran climate negotiator for China⁶⁹, having headed China's delegations to COP from 2007 (COP13) to 2018 (COP24)⁷⁰. China only appoints “Special Envoys” to deal with particularly important diplomatic issues – for example, President Xi appointed Liu He as a Special Envoy to the U.S.-China trade talks in 2019⁷¹.
- The **Ministry of Ecology and Environment** is responsible for implementing general environmental policy in China. Zhao Yingmin, Deputy Minister of Ecology and Environment, has attended two preparatory meetings for COP26 – Ministerial meetings held during 25–26 July⁷² and Pre-COP meetings in Milan during 30 September to 2 October⁷³ – and was China's chief delegate to COP25⁷⁴.

⁶⁴ http://www.gov.cn/premier/2021-10/11/content_5641907.htm

⁶⁵ https://www.ndrc.gov.cn/xxgk/zcfb/tz/202108/t20210817_1293835.html?code=&state=123

⁶⁶ <http://www.ccchina.org.cn/Detail.aspx?newsId=72825&Tid=254>

⁶⁷ Xi Jinping expected to snub UK summit on climate crisis | News | The Times

⁶⁸ <https://news.cgtn.com/news/2021-10-19/China-s-climate-envoy-Xie-Zhenhua-to-attend-COP26-14uwms24x2/index.html>

⁶⁹ <https://chinadialogue.net/zh/3/44312/>

⁷⁰ <https://www.reuters.com/article/us-climate-change-china-idUSKBN2AP0AK>

⁷¹ <https://www.globaltimes.cn/content/1139415.shtml>

⁷² https://www.mee.gov.cn/ywdt/hjywnews/202107/t20210727_851496.shtml

⁷³ https://www.mee.gov.cn/ywdt/hjywnews/202110/t20211003_955472.shtml

⁷⁴ https://www.mee.gov.cn/xxgk/hjyw/201912/t20191214_748279.shtml

- The **Ministry of Foreign Affairs** set up the position of Special Representative for Climate Change Negotiations in 2007 under its Department of Treaty and Law⁷⁵. Special Representative for Climate Change Negotiations Sun Jin was China's Deputy Chief delegate to COP25⁷⁶.
- The **National Development and Reform Commission** (NDRC) was responsible for China's climate policy until 2018, when the portfolio was reassigned to the Ministry of Ecology and Environment⁷⁷. However, in 2021 the NDRC was assigned the task of formulating China's national climate strategy and peak carbon action plan. It is not clear whether the NDRC will be represented directly at COP26.

Inferring Intentions: China's Climate Change Position Pre-COP26

Amid the myriad of uncertainties – including whether or not President Xi will attend – our research yields certain insights into China's position on climate change ahead of COP26.

- **China is committed to climate change action:** As mentioned above, Chinese participation is key to meeting the goals of the Paris Agreement and limiting average global warming to 1.5° Celsius. The country's commitment to addressing climate change is signalled by its announcement of carbon peaking and net zero commitments, the wide range of climate change-related policies announced over the past year and its recent commitment to end financing for coal-fired power plants overseas.
- **China's NDCs are crucial to COP26:** China has made clear its intention to be a global leader on climate change. However, if the government fails to release updated NDCs ahead of COP26, it could impair the ability of delegates to make substantial policy decisions due to the absence of clear data from the world's largest emitter of greenhouse gases. The Working Guidance paper released on 24 October enhances clarity of China's intentions, but policy makers will still be eagerly awaiting the NDCs.
- **Implementation is key to China making a real difference:** While headline policies and commitments are important, how they are implemented is key. For example, although recent power outages have been caused by a myriad of factors, they also point to the fact that it is hard to control how specific provinces and municipalities will implement policies and what the ancillary effects of local-level action will be. If local governments opt for blunt tools such as emissions caps to achieve climate goals, real sustainable change could be limited, and livelihoods and quality of life could be compromised.
- **Climate change action requires a public-private partnership:** Coordinated public and private action is essential, and we have yet to see a national level push to ensure that all state-owned and private companies in China implement clear, effective and measurable emissions reduction programs.
- **Geopolitical friction complicates cooperation:** Ongoing geopolitical issues are complicating China's ability to collaborate with other key industrial countries and territories such as the U.S. and the EU. COP26 will be an excellent opportunity to evaluate the potential for

⁷⁵ <https://kns.cnki.net/KCMS/detail/detail.aspx?dbcode=CJFD&filename=JJZK201441019>

⁷⁶ <http://www.ccchina.org.cn/Detail.aspx?newsId=72825&TId=254>

⁷⁷ <https://chinadialogue.net/zh/3/44312/>

increased coordination between China and its global peers but, as always, proof of the ability to collaborate will only be apparent after the summit, when commitments need to be put into action. That said, China is a major foreign aid provider and has substantial influence in the developing world, and this has the potential to translate into real action in these countries and territories.

Overall, given that China's Belt and Road Initiative has declined in importance as a foreign policy platform, it seems likely that climate change is now emerging as the country's new foreign policy focus. From this perspective, whether or not President Xi attends COP26 in person, the country will be an influential participant in the conference and will play a significant role in ensuring the success of the measures agreed to by the Conference of Parties.



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