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Inside China's decarbonisation challenge

Last year, Xi Jinping announced ambitious climate targets. But China's reluctant state apparatus struggles to reconcile high growth and climate policy

Some China commentators – notably those who understand very little about the country – believe that it has a monolithic power structure, and that the Chinese Communist Party (CPC) General Secretary and President Xi Jinping gets whatever he orders. However, the latest developments in Chinese environmental and climate policy suggest otherwise.

In September 2020, Xi Jinping announced to the United Nations General Assembly that China would reach peak emissions by 2030 and be carbon neutral by 2060. That came as a complete surprise to both international and Chinese experts. Xi was neither bowing to international pressure, nor was his pledge conditioned by other countries' voluntary commitments.

Usually, many agencies and thousands of technical experts work meticulously on Chinese national developments – as evident in their current elaboration of the next Five-Year Plan. It's absolutely out of the ordinary for Chinese leaders to single-handedly set lofty goals with specific, quantitative targets because they risk, in the case of failure, that they'll be held solely and personally liable.

In January 2021, China's National Energy Administration (NEA) published the findings of the 'Central Environmental Inspection Team'. In unusually sharp rebukes, inspectors accused the NEA of grossly neglecting its responsibility to regulate the energy sector. The NEA's latest sins were listed in detail and, to further humiliate it, the administration had to publish the report on its website. 'Central inspections' are commissioned by the CPC's Central Commission and the State Council. The chief environmental inspector is a Politburo member and deputy prime minister; inspectors are named by the Organization Department of the CPC.

China's internal conflict over environmental policy

While surprise declarations by top politicians on the international stage and spats between environmental regulators and energy ministries also occur elsewhere, in China, all negotiations are conducted behind closed doors. The doors are only opened to announce results and demonstrate unity: saving face for all parties is the highest good. Lacking original soundbites, it's extremely difficult to interpret the proceedings – and requires inferring from what can be observed. In the case of energy regulation, an exception to standard procedure became public in a rather spectacular manner, indicating the unusually difficult and contentious negotiations over ecological issues.

The friction comes from central ecological guidelines colliding with local, regional and sectoral interests that are impacted by requirements and bans, as well as scarcity and higher costs for environmentally sensitive resources. The generally poorer districts and provinces that depend on coal mining or have highly polluting activities tend to implement headquarters' environmental targets as slowly as possible because officials fear the locals' discontent. This constant tug-of-war between central policy specifications and regional implementation occasionally appears as 'alternative facts' in regional statistics.

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However, there are conflicting goals at the national level, too. The 15-year targets currently being debated for adoption in March include annual economic growth of around five per cent until 2035. This relatively high target creates tremendous pressure for many officials. Such a growth rate inevitably means that the total demand for energy will continue to rise for a long time, because the energy intensity of one unit of national product can hardly be reduced by five per cent every year. The dire effects of a short-term energy outage already became when China refused to admit Australian coal in the wake of foreign policy disputes. In some provinces, electricity was rationed and dirtier domestic coal used to offset the lack, causing local air quality to plummet.

More energy consumption *can* be made environmentally sustainable by increasing the share of renewable energies in the primary energy mix. The government's current approach is that the ratio of coal/oil & gas/renewable energies (now around 60/25/15) should move towards 50/30/20 by 2030 and to 40/30/30 by 2050. However, 'carbon neutrality' means that starting in 2060, coal must be less than *eight* per cent of the energy mix. That calls for significantly expanding renewable energies.

A strategic consideration points in the same direction: Some of the coal now burned in China, and almost all the oil and gas, is imported. Supplies from Russia are seen as relatively secure, but the rest depend on trade routes that China cannot control. Doubling GDP by 2035 while also sharply cutting the share of domestic coal means importing more oil and gas along insecure routes – which would make China's economic development more vulnerable. The only solution is to ratchet up renewable energy production.

The deeper significance of the NEA's public reprimand

Xi Jinping has managed to consolidate his personal leadership power to a degree that no other Chinese politician has done for decades. But the absence of resistance to his *person* does not mean that his *policy* directives are smoothly implemented everywhere. The huge Chinese state apparatus can slow or even stave off change without openly showing opposition. Local interests play a role, as does opposition from sectors that expect environmental and climate policy measures will reduce their global competitivity. Business leaders – both in private enterprises and the public sector – consider the request to meet high growth targets with stricter environmental regulations overly ambitious, if not practically impossible to fulfil.

The party and top government leaders side with the environment and climate. By maintaining ambitious growth targets and simultaneously tightening environmental protections, they are pressuring party cadres whose personal success ratings are contingent on achieving economic targets.

This is the deeper significance of the NEA's public reprimand: Anyone who fulfils their economic goals by carelessly skirting environmental regulations will be publicly named and shamed. Xi's UN speech also has to be seen as a political coup in which he presented the Chinese opposition with a *fait accompli*: China has made a commitment to the world and now everyone has to get busy redeeming that promise – or the whole country will lose face.

The EU and the new US administration now have to fulfil a delicate balancing act.

Xi Jinping came to power at a time when air pollution in Chinese cities had reached apocalyptic dimensions – and has since been regarded as an urgent problem to solve. Along the way, environmental issues rose to the top of the political agenda. Xi's speeches and articles demanding environmental regulation and criticising ecological wrongs often go farther than those of all of the other politicians and political institutions like the Ministry of Ecology and the Environment. That's why the work of non-governmental organisations is welcome – as long as they identify environmental misconduct by individual companies or authorities and make concrete proposals for action.

When it comes to environmental issues, China's political leaders can count on the support of the urban population. Numerous apps register urban air quality, which is a subject of everyday conversation. Awareness of ground and water pollution is also gradually growing, as well as concern for biodiversity.

The West's cooperation with China

Reducing carbon as a way to achieve climate policy objectives, however, has few lobbyists: So far, that remains an issue for the elites. China's contribution – and the sacrifices required – is not clearly linked to the goal of reducing global warming, and officials are tempted to let countries with higher per-capita incomes take the lead. Chinese leaders cannot rely on public support for more specific climate measures and don't want to risk opening debate about possible conflicts between economic and climate objectives. So by making a clear commitment to the UN, Xi has invested his political capital.

Until two months ago, the Trump Administration's climate policy added headwind that allowed Xi's domestic critics to speak of him naively going it alone, burdening China without accomplishing much while richer countries ducked away. But new momentum on the international stage, first from Brussels and lately from Washington, again makes China part of a globally coordinated policy-making process. It's now easier for the Chinese leadership to publicly defend their course.

The EU and the new US administration now have to fulfil a delicate balancing act. China is described as a partner, competitor and systemic rival at one and the same time – albeit in slightly different formulations – on both sides of the Atlantic. That China is a partner with respect to climate policy is obvious: Its sheer size makes it indispensable. Yet Chinese leaders have to contend with a reluctant administration and weak popular support. The West needs shrewd political acumen to develop instruments that sustain China's support for the climate partnership without obscuring other aspects of the complicated relationship.

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