

China green economy

Economics



For years now, China has been at the receiving end of stinging criticism from the West over its environmental policies, with critics describing it variously as one of the most polluted countries, an insatiable, consumer-driven energy guzzler, and the world's worst emitter of greenhouse gases. These labels have been prompted by China's rapid industrialization and urbanization over the past 30 years, which has allowed it to achieve blistering economic growth, but at enormous cost to its environment.

Given the widespread criticism, it's understandable why many in the West might find it hard to imagine this 'dirty' giant ever getting clean. Yet these difficulties shouldn't overshadow an encouraging reality—China's top decision makers are planning to take a more holistic approach to the quest for greener growth that could transform the country's image.

China's central government is currently thrashing out details of how best to steer towards greener growth as part of closed-door discussions aimed at finalizing the country's 12th Five Year Plan (2011-2015), which will be announced in March. The plan is expected to become China's first national plan to shift the development agenda decisively toward a pattern of green growth, accelerating the country's efforts at green modernization. Expect 'establishing a low carbon society' to be a key political slogan over the next five years.

With a limit to the amount of fossil fuel it can access, and with these fuels anyway creating significant environmental damage and associated socioeconomic problems, China's top leadership seems to be realizing that the old 'growth at all costs' model that has previously been followed threatens

not only the country's energy security, but its very survival. A green development pathway based on low energy consumption and low carbon emissions is essential if China is to find a sustainable path to growth.

The environmental aspects of the plan are likely to be boiled down to five key points that will be presented to the public and used to measure China's success in achieving its ambitious targets. First, the government is believed to be considering using green indices as a yardstick for evaluating the performance of local officials. Water consumption per unit of GDP, proportion of clean coal consumption utilized, and the proportion of GDP invested in environmental protection will all be integrated into the indices.

The idea is that this will force local governments to strengthen resource efficiency and improve ecofriendliness in key sectors such as heavy industry, construction, and transportation. Gone will be the days when the rate of GDP growth is the sole determinant of success. Second, China aims to gradually establish a carbon trading system to help it meet its 2020 carbon intensity target of reducing CO₂ emissions as a proportion of each unit of GDP by 40 to 45 percent of 2005 levels.

Policymakers are expected to view carbon trading as a market-oriented, cost-effective way of supplementing current administrative measures to reduce emissions and genuinely shift the country's 'brown' economy to a 'green' one. A cap-and-trade market is also expected to be up and running by 2014, while over the next couple of years, carbon trading programmes will most likely focus on pilot schemes in economic zones and/or industrial sectors such as the coal-fire power generation sector.

Third, China will continue to support the research, development, and deployment of clean energy technologies. China was reported in December to be seriously considering, for example, investments of up to \$1.5 trillion in seven strategic industries including renewable energy, clean energy vehicles, and low carbon technologies. In this regard, keep an eye out for two Chinese companies—Yingli Solar and Wanxiang Group—that will play a more proactive role in producing state-of-the-art clean energy technologies to help create more ‘green collar’ jobs domestically and overseas.

With robust government support and private sector innovation, China’s pledge to have 15 percent of its energy come from non-fossil fuels by 2020 could be achieved more smoothly and quickly with smart investment. If it can follow through on these ambitious plans—admittedly a big if—there’s little doubt China will be able to join world leaders in the development of wind, solar, and electric vehicle technologies.

Fourth, with the country’s total power capacity expected to climb to more than 1,430 GW by 2015, compared with 874 GW at the beginning of last year, China has been trying to figure out how to bring trillions of kilowatts of power to more than a billion consumers, sometimes over extremely long distances. With this in mind, the government is said to be planning to invest about \$300 billion in a smart grid over the next five years that allows potential problems to be detected early.

So far, local governments including the Jiangsu Provincial Government and the Shanghai Municipal Government have taken the lead in publishing plans for smart grid development. Last but not least, China is expected to begin

efforts to restore marine ecologies for the first time, focusing not only on supervising chemical oxygen demand, which measures the amount of organic pollutants found in surface water, but also limiting emissions of nitrogen and phosphorus, which causes eutrophication.

In addition, constructions such as dams and sea walls will be strictly examined to ensure that they aren't adversely impacting the environment. If China's policymakers can follow up on this promising list, then it could produce some genuinely spectacular policies that will help the country dramatically increase its chances of sustaining its strong growth, expand its cleantech market, and achieve green job creation. None of this will be easy, not least because rapidly rising energy demand will mean coal and oil inevitably remain a foundation of China's economy for years to come.

In addition, China's efforts at developing a green economy so far look like a top-down initiative, meaning much of the public doesn't really understand what a green economy entails, its importance, or how they can contribute to creating one. As a result, there's a clear need for proper public outreach to encourage people to become engaged. Still, the talk around the upcoming five-year plan offers some cause for optimism that with the central government genuinely behind it, and if market-driven mechanisms can be properly utilized, China can launch itself on the path to a greener future.