

CHINA AND ITS CLIMATE LEADERSHIP IN A CHANGING WORLD - FROM PASSIVE FOLLOWER TO CONSTRUCTIVE SHAPER OF THE GLOBAL ORDER

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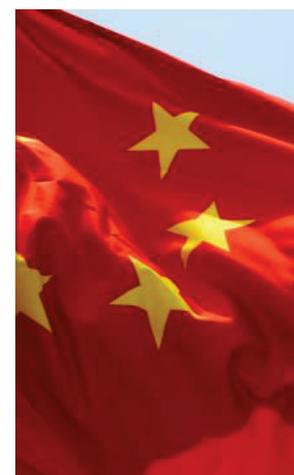
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Substantial changes are underway in a number of countries and in international politics. Time is also running short for the global community to tackle climate change. Donald Trump's election as US president and the US's withdrawal from the Paris Agreement has cast a long shadow over international climate cooperation and diplomacy. The world community is looking to China to help fill the leadership vacuum in international climate politics. This discussion paper seeks to provide a list of concrete recommendations for operationalising China's global climate leadership and the rationale for why China should go for it. It takes as its starting point China's role as a constructive shaper of the global governance regime, which not only represents the new strategic direction in China's foreign policy, but also challenges and opportunities for European countries in exploring shared leadership with China.

International politics in flux

Substantial changes are underway in a number of countries and in international politics. The Western world in particular finds itself at a pivotal moment when political drawbridges are rising. At the same time the international community's window for preventing dangerous climate change is closing, and drawbridges are precisely the opposite of what is required for effective diplomacy and cooperation.

Rising support for populists, as exemplified by the election of US President Trump, has disrupted the politics of many Western societies and altered the status-quo of international relations. Populists agitate against the globalized world – be it migration, the free flow of goods and information, or institutions of international cooperation. Yet, climate change and sustainable development – among many other topics – are challenges that cannot be tackled by any single country alone.



China's climate leadership
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Of course, it should be noted that recent elections may also paint a brighter picture, with elections in Austria, the Netherlands, and France indicating a halt in these trends. The new Macron government could provide an opening for reenergizing the Franco-German 'reform engine,' and improve and stabilize EU cooperation. Rather than a rising tide, populist movements may therefore be better thought of as the high waves.

I. Implications: EU climate cooperation

Climate change may fall down the political priority list as other crises loom on the horizon. These include the debt and budget crises overwhelming Greece, Portugal and Italy; the constitutional crises prevailing in Poland and Italy; the uncertainty swirling around the UK and Brexit; the illiberal agendas and pressures shaking Hungary and Poland, France and the Netherlands; the migration crisis dominating the political discourse in Germany and along the Balkan route; and the reduced reliability of the transatlantic partnership. Yet, as demonstrated by a recent Eurobarometer survey, EU citizens generally feel that climate change remains a priority and that collective action is part of the solution.

With the growing clout of illiberal, nationalist parties in several EU Member States, the space for compromise is shrinking at EU level. This is due to such parties already being in government, as is the case in Hungary and Poland; mainstream parties being under siege, as was the case in France and the Netherlands; and EU institutions being cautious not to expose governments or themselves to political attacks. As a consequence, international climate policy and EU leadership are on the ropes.



2016 State of the Union debate on EU's multiple challenges

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But the situation is not all doom and gloom. EU climate policy has long been a flagship policy, despite the complex decision-making process also affecting the EU's flexibility throughout the UNFCCC negotiations. The Paris Agreement was also a success of EU climate diplomacy – the question is how those key European member states willing to lead can help to sustain momentum in close cooperation with EU institutions.

II. Implications: US climate diplomacy

The US exit from the Paris Agreement announced on 1 June 2017 represents a tremendous setback for climate diplomacy – not least because the US, currently the world's second largest emitter and largest historical emitter, was a decisive player in negotiating the main elements of the agreement in the run-up to the Paris conference.

But the Paris Agreement will live on. To date, 148 countries have ratified the Paris Agreement. China, along with other countries including Germany, France, Italy, Japan, Canada and Russia, has reaffirmed its commitment to the Paris Agreement. And even regarding the US contribution, all is not lost. Substantial climate mitigation efforts will either take place at state or municipal level, or be undertaken because there is a strong business case for them, meaning they are unlikely to be stalled.

Cooperation with the US and the work of US diplomats in China was effective in enabling the joint commitments of China and the US that paved way for the Paris Agreement and its ratification. In late 2014, President Xi Jinping and Barack Obama announced their joint ambition to curb both countries' GHG emissions with a list of joint pledges for bilateral climate cooperation. Momentum was maintained on 25 September 2015 when both presidents reaffirmed their original announcement, thus strengthening their bilateral resolve in the build-up to COP21. The joint announcement of the US and China to ratify the Paris Agreement one day before the G20 Summit in Hangzhou in 2016 was again critical for the early entry into force of the agreement.

Donald Trump's election as US president and his announcement that the US will withdraw from the Paris Agreement has cast a long shadow over international and bilateral climate cooperation. In the context of this huge leadership vacuum in international climate politics, the global community's calls for greater climate leadership from China have reached a historical peak. The question for China, and the rest of the world, is not whether but how China will respond to these calls. It is worth stressing that there is a difference between *leadership* and *being a leader*. Leaders are focused on having the exclusive power to influence their followers. By contrast, leadership is considered the art of influencing people, organizations and institutions to accomplish specific aims – that is the angle that the authors of this paper take.

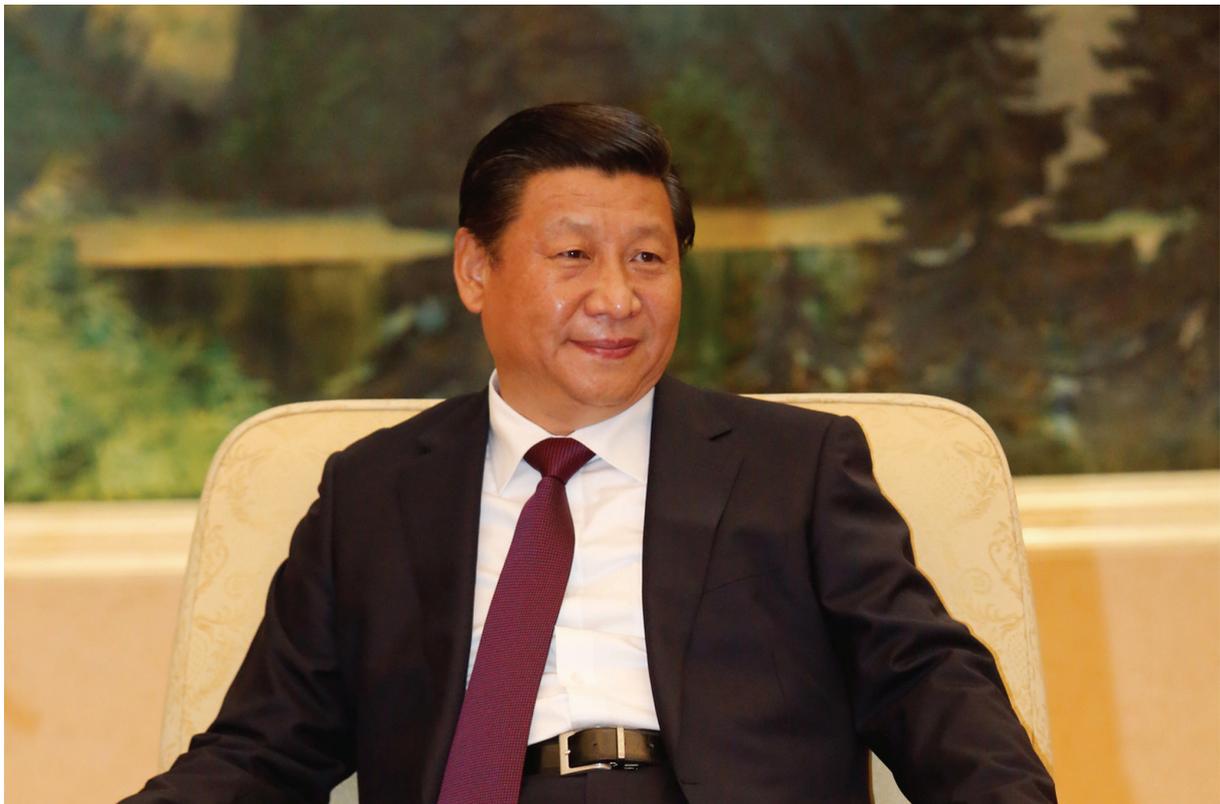
China as a global governance regime shaper

Since President Xi Jinping took power in 2013, for a minimum ten-year term, China's foreign policy strategy has undergone some major changes. Hence, in order to discuss how China could define its climate leadership amid the present changes in the political climate, it is necessary first to understand China's long term vision of its role in global governance.

The Xi administration's overall foreign policy strategy is to present China as a responsible great power that participates in international rule-making and shapes the global order, gradually shifting away from the long-standing "keeping a low profile" (Tao Guang Yang Hui) strategy it has followed since the early 1990s. Characterised by multilateralism, win-win cooperation, openness and inclusiveness, this strategy aligns with and mutually supports China's decades-long domestic reform drive, which is at a crossroads due to the pressing need to transition to a more sustainable growth model.

Building on China's fairly successful economic and trade diplomacy experience, climate change is one of the most promising areas where China could and should practice (via a learning-by-doing approach) its emerging role of a constructive shaper, rather than a passive follower, of the global order.

As mentioned above, some may argue that China has already played a joint leadership role with the US in the successful cultivation and early entry into force of the Paris Agreement. Yet, in that joint effort to shape the new international climate regime, the US was viewed as the main proactive actor while China was considered to be somewhere between a defender (as legacy from COP15 in Copenhagen) and a passive co-leader. So the question now is, in the absence of the US, to what extent could China take a proactive leadership role and how should it best do it.



Chinese President Xi Jinping

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Recommendations to operationalise China's global climate leadership

Our recommended action points for China in the short term range from advancing key bilateral cooperation and diversifying models and channels of climate cooperation, to engaging in new initiatives and maximising the synergies between the climate agenda and other key international agendas and forums. All of them together would make China's climate leadership role more concrete and effective, while also laying a solid foundation for it to shape the international order more comprehensively in the future.

I. Multilateral diplomacy

→ **Engage with its emerging economy peers, such as Brazil, India, Russia, and South Africa on climate and energy agendas in a stronger and more comprehensive manner:** A good move was the agreement to explore the feasibility of establishing a BRICS (Brazil, Russia, India, China and South Africa) Energy Research Cooperation Platform at the BRICS Energy Ministers meeting early June in Beijing. China is hosting the BRICS Summit this coming September where more joint efforts on climate and energy should be put forward. Another avenue is of course the BASIC group (Brazil, India, China and South Africa). In particular, China needs to further engage with India to support its emerging energy transformation agenda – both with political level engagement and practical projects, for example in the fields of renewable energy, energy efficiency, energy access, and air pollution control.



BRICS-countries flags
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→ **Make full use of the various other multilateral arenas involving both developed and developing countries, drawing on its experience with the G20 presidency last year:** China has recently hosted two key international clean energy meetings – the 8th Clean Energy Ministerial (CEM8) and 2nd Mission Innovation Ministerial, which require proper agenda setting and follow ups. Bringing together 25 countries, CEM8 (6-8 June in Beijing) saw several new initiatives launched. These included the China-led “30@30” campaign, where aims to ensure 30% of all new vehicles on the road are electric by 2030, with participation of Canada, Finland, France, India, Japan, Mexico, Norway and Sweden; the Advanced Power Plant Flexibility initiative led by China, Germany and Denmark, and joined by 11 other countries; the campaign on “Nearly Zero Emissions Buildings” led by France and the EU Commission, and joined by Canada; and the Korea and Russia-led initiative for ecotowns and sustainable cities joined by China, Mexico and the UAE. All of these initiatives need proper follow-up actions, especially from China, which should also encourage the US to continue play an important role in CEM and its existing initiatives, which the US is currently reviewing.

II. International climate and sustainability financing

- **Effectively implement and extend its South-South cooperation agenda to support implementation of the Paris Agreement and the Agenda 2030 for Sustainable Development e.g. the South-South Cooperation Fund on Climate Change, the Assistance Fund for South-South Cooperation and the Academy of South-South Cooperation and Development:** China pledged US\$3.1 billion to the South-South Climate Fund and \$2 billion to support the implementation of Agenda 2030 in developing countries via the Assistance Fund for South-South Cooperation. In future a more streamlined and effective governance structure is needed, since projects are currently undertaken through different Chinese ministries and the Ministry of Foreign Affairs usually plays a role, which may lead to a lack of technical consideration or expertise i.e. on climate mitigation and adaptation. It should go beyond the current practice of capacity building at the individual level and distribution of products, and move towards more institutional capacity building, technology transfer and policy exchange. Transparency and information sharing of its various South-South cooperation projects should also be improved, potentially by a professional service provider.

- **Strategically develop and implement a green strategy for the Belt & Road Initiative (BRI):** The BRI is the largest international initiative that China has ever put forward and the country is currently putting all its diplomatic strength into promoting and realising it, backed up by a \$900 billion infrastructure push. China is also promoting a green vision of the BRI – in early May the Ministry of Environmental Protection, the Ministry of Foreign Affairs, the National Development and Reform Commission, and the Ministry of Commerce jointly released a document entitled "Guidance to Promote the Construction of a Green Belt and Road." The same month also saw the first-ever Belt and Road Summit, where UN Environment and China's Ministry of Environmental Protection announced an international coalition of organizations to ensure that the BRI brings green growth. However, aside from such high profile documents and gestures, an actionable and comprehensive implementation strategy is still missing to draw the green vision into all aspects of BRI and ensure it does not remain a stand-alone agenda.

- **Learn and improve as a new and climate responsible donor e.g. through the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB):** In recent years China has become the largest new international aid donor, accounting for 70% of non-traditional funds for some of the world's poorest countries, while the environmental and social track record of its investment has been mixed. China expanded its international role by helping to establish and capitalize two multilateral development banks since 2015 – the AIIB is headed by China and backed by a founding shareholder membership of 57 countries, and the NDB, headquartered in Shanghai, is operated on an equal basis between the BRICS nations. Both banks have positioned themselves as 'green' but have yet to commit to any new standards differentiating them from existing Western multilateral development banks (MDBs). Given the efforts to develop a green financial system domestically, China should unleash the potential drive to establish a green financial framework across the operational levels of AIIB and NDB. Initial positive moves, such as launching its first green financial bond and approval of a first batch of four renewable energy projects by NDB, should become mainstream practices subject to transparency and accountability measures.

III. Bilateral cooperation with the EU

→ **Work closely with the EU, along with other large emerging economies, to keep up the momentum behind the Paris Agreement with active cooperation and actions on the ground:**

For the Paris Agreement to succeed as a whole in the coming years and beyond, both words and actions are needed. On the one hand, sufficiently strong political commitment is needed to maintain the momentum at global level, despite the natural ebbs and flows of the ongoing UNFCCC negotiations. China and EU should make their shared commitments to Paris Agreement more visible internationally, for example at the climate summit that French President Macron is hosting this coming December in Paris. On the other hand, given its bottom-up nature (as a pledge and review regime, which is different from the Kyoto Protocol), countries' national determined contributions (NDCs) not only need to be honoured domestically (without international oversight or punishment for non-compliance); their ambition also needs to be periodically reviewed and enhanced. China and EU can play a significant role during the global stock-take process next year by preparing and putting forward more ambitious targets in their NDCs, paving the way for others to do so as well.

→ **Encourage and work with the EU, especially key European countries France, Germany, the Nordic countries and the UK, to share the climate leadership role:**

This already began during the EU-China summit in early June with explorative discussions on publishing the EU-China Leaders' Joint Statement on Climate Change and Clean Energy (which did not happen due to differences on trade issues and there was no final summit communiqué). They should aim to release this joint statement in September when the EU, China and Canada jointly organise a major ministerial gathering and fully implement all its elements regarding the UNFCCC process, other multilateral fora and concrete bilateral cooperation. As well as working with the EU as a whole, China's strategic cooperation should also include working closely with important European countries, particularly France, Germany, the Nordic countries and the UK. Efforts should also be made to work together to further engage the US.

IV. Bilateral cooperation with the US

→ **Pragmatic cooperation with the US, e.g. in the field of energy efficiency, clean energy and technology, renewable energy, low-carbon cities, research and development of new technologies, carbon markets and green finance:**

Sino-US relations remain the most important bilateral relationship for China – although it is certainly not possible that the climate issue will continue to be a 'bright spot' for the two. However, given the natural interconnections between climate and many other topics such as energy, technology and infrastructure, there is considerable space for China to continue engaging and cooperating with its US counterparts, with some different narratives – for example by focusing on energy efficiency and energy security, or on innovation. Given the long history of Sino-US energy cooperation, many existing bilateral channels could be used in this regard, such as the US-China Energy Cooperation Program. In addition, the energy (including technology) and economic cooperation arenas in which both China and the US participate could also be used effectively – for example the Major Economies Forum, the Clean Energy Ministerial, and Mission Innovation.

- **Engagement at all levels with the US, e.g. Track Two, local and state governments (i.e. state governors and city mayors), the private sector and civil society, and both Democratic and Republicans senators:** History has taught us that no country is monolithic – there are many critical and active players other than the federal government. A fresh, living example is the Governor of California, Jerry Brown, and his climate diplomacy interaction with Beijing in early June. He was not only received by Chinese President Xi but also achieved a handful of collaboration agreements (i.e. memorandums of understandings) with China’s Ministry of Science and Technology, Ministry of Commerce, and leaders in Jiangsu and Sichuan provinces. There should be more such initiatives from the Beijing side.

V. Linking diplomacy to domestic action

- **Further advance the synergies of the SDGs (Sustainable Development Goals), NDCs (Nationally Determined Contributions) and energy transition, and develop a long-term low-carbon development plan:** Backed by high level political commitment and building on the successful experience of achieving most of the MDGs (Millennium Development Goals), China’s energy transition, SDG and NDC agendas enjoy a relatively high level of ambition and policy alignment, which should be further advanced, especially by benchmarking short, medium and long-term targets in line with the goal of limiting global temperature rise to well below 2 degrees. Various institutions are involved at national, regional and local levels. Political commitment requires enhancing governance capacities and policy implementation, in which sub-national governments and private companies, especially State Owned Enterprises (SOEs), play a key role, along with China’s own political reform process. There is further potential to explore synergies and avoid policy conflicts between climate, development, energy transition, and pollution control.
- **Continue and enhance efforts to control coal consumption, so as to support a GHG emissions peak before 2030:** China has seen coal consumption decline since 2014, which has led to a levelling off of global emissions. China established a national coal consumption cap target this year. For the first time ever, China has also set mandatory targets both for the share of coal in its total energy consumption and for the efficiency of coal-fired power plants, as included in the Thirteenth Five Year Plan for Energy Development released in January 2017. Continuous and accelerated efforts need to be made to implement these targets across different sectors , as well as across key regions in China. The national emissions trading system will be launched in late 2017, and the synergies between its national carbon market and industrial coal cap policies also need to be carefully explored and monitored.



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What China can gain from more proactive and strategic climate moves

While the world is calling for China to edge into a global climate leadership position, it goes without saying that there should be 'benefits' for China, besides providing global public goods. Although climate change is a truly global issue in which all countries have a shared stake, all nations also have to act in their own national interests, and this should not be understood in negative terms. By committing to and executing the actions proposed in the previous section, China would benefit in multiple ways.

First and foremost, a clear climate leadership role, shared with other progressive countries, matches with and truly operationalises China's great power diplomacy strategy, contributing to its global image building as well as enhancing its soft power. By and large, there is still a lack of mutual understanding between the outside world and China. For example, very few foreigners could explain the concepts China has put forward in the past, such the 'harmonious world'. Green, low carbon and sustainable development could well be the new common language between China and its counterparts from both the countries in the Global North and South.

Secondly, increasing momentum in the global energy transition is inevitable and China could benefit hugely from developing its economy to be more high-end and competitive – in particular it could enhance its share in the global clean and green technology market while Trump is busy 'saving the old dirty industries'. China's renewable energy sector is still the largest in the world, with the highest investment overall, creating large amounts of jobs and with dedicated policy backup (13 FYP). International climate and energy cooperation would also bring about further job creation and technology development in China.

Furthermore, by backing multilateralism and setting the international agenda (on climate change and sustainable development), China is also set to earn respect, in particular from developing countries. Instead of making them feel left behind, the leadership China is displaying in its ambitious climate action domestically and in helping other countries could show its commitment to global public goods and a shared future. This will further help China to achieve its 'peaceful development' agenda.

Last but not least, it helps to consolidate the domestic transformation progress and ensure a broad base of support for a low carbon development path. Facing a 'new normal' in terms of economic development, in which its annual growth rate has slowed from double digits to about 7%, China is striving to adapt to and shape the 'new normal' with an abiding focus on improving the quality of the economy, in order to achieve prosperity for all. This is not an easy journey to take, not only because no country in the world has ever achieved this, but also because its provinces, cities and many groups of stakeholders have become used to the traditional pathway.

To conclude, if China can adeptly manage to combine its future domestic reform and transition plans with a smart global climate leadership agenda, the world would become a better place – as would China itself. For that, European countries should also be ready to work hard with China to explore shared leadership with a renewed mind-set.

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