China, the world's largest carbon emitter, has the opportunity to enhance global ambition on climate change action this coming year in the run-up to COP26 in Glasgow, Scotland. The question is whether it will do so.



UCLA Law at Madrid COP

I attended COP25 in Madrid this month with colleagues and students on behalf of UCLA's Emmett Institute on Climate Change and the Environment. This year's meeting was largely seen as a failure; a missed opportunity for the countries of the world to signal greater ambition under the Paris Agreement. News reports suggested that China was among countries who objected to strong language calling for nations to increase ambition in 2020. China and India apparently opposed such language unless developed countries also committed to provide greater finance and support to developing countries. The EU pushed back on this, and the United State, Australia, and Brazil were identified as responsible for blocking action in other areas.

The mismatch between this sort of squabbling and inaction, on one hand, and the need for deep, decisive action, on the other, is the reason that some have begun to argue that we are approaching or even beyond the point of no return (my colleague Ted Parson describes the contours of this debate here).

China made no major announcements at this year's COP, and observers have suggested that China's commitment to climate change action is weakening. Critics have even argued that China's stated self-interest in climate action was never very strong in the first place. China has the opportunity to prove these naysayers wrong.

China's national government will put the finishing touches on its 14th five-year plan

in 2020-21. Critical issues under discussion are the possibility of an absolute carbon cap (though insiders say this is unlikely) and key targets on energy consumption, coal, and non-fossil fuels. Major announcements from China, perhaps in conjunction with the EU at the Leipzig EU-China Summit in Sept. 2020, can generate the intended "ratchet effect" of the Paris Agreement and spur a broader range of countries to announce greater ambition. With the US absent from these discussions, it will be up to China in partnership with the European Union, California, and others to fill the void.

But China's climate leadership is not inevitable. We see mixed signals coming from within China these days. In response to a slowing economy Chinese leaders have expanded fiscal stimulus, which has in turn led to further infrastructure development, expansions in steel and cement output, and the construction of coal-fired power plants, among other things. US-China tensions have also put energy security at the top of the agenda within China. This could mean a focus on expanding domestic sources of oil, gas, and coal in the near-term.

I highlight three particular issues to watch in the coming year:

- **Low-Carbon Technologies**. China is home to one-third of all renewable energy capacity in the world. In 2018, 45% of global electric vehicles (EVs) in service were in China. Chinese investment in (and government support for) wind, solar, EVs, lithium-ion batteries, and other technologies have driven down costs in dramatic fashion. Solar PV module prices, for example, have fallen a stunning 94% since 2008, according to BNEF. China's ability to drive massive levels of renewable energy deployment has been one of the bright spots in the climate change picture. But pullbacks in Chinese support for renewable energy have led to dramatic declines in renewable energy investment in 2019. Reduced Chinese subsidies for EVs contributed to a 46% decline in sales in October of this year. Some of the retreat on subsidy is an effort to weed out bad companies who are only seeking to profit from government largesse. Reduced government support will presumably force companies to stand on their own and drive marginal businesses out of the market. The way in which China manages this transition will be critical to future emissions pathways.
- **Whither Coal?** We have also seen worrying signs of the persistence of coal in China. China is still responsible for half of the world's coal use. Although China faces massive overcapacity in coal fired power with utilization rates under 50%, the coal power fleet expanded by 43 GW over the last two years and coal

mine approvals have surged. Another 148 GW (equivalent to all existing coal-fired capacity in the EU today) are planned or under construction. In an important National Energy Commission meeting in October 2019, Premier Li Keqiang "emphasised China's energy security and coal utilisation and downplayed the importance of a rapid transition away from fossil fuels." Decisions about the place of coal within China's energy mix are very much in play with obvious implications for global climate mitigation efforts.

- **A Green Belt and Road?** China is now also exporting ever greater levels of emissions to the developing world through trade and investment. One study found that "around 75% of investment in BRI countries from China's state-owned banks between 2014 and 2017 poured into fossil fuel projects." On one hand, this is what developed countries do (look at the US and Europe). But China can (and has said it wants to) do better. Despite high-level statements of support for greener outbound investment though, Chinese commitments to date are still too general and lacking in clear, implementable measures. This is not entirely up to China. Host countries also have a responsibility to limit fossil fuel investments through stronger regulation and more sustainable economic planning. But China has levers to control the finance of such fossil fuel projects and can exercise regulatory control over its own companies (such are the supposed benefits of an "authoritarian environmentalism").

The stalemate in Madrid sent a strong signal to the world that we cannot count on national leaders to protect us from the risks of climate change. China has an opportunity in 2020 to prove otherwise if it is willing to do so.