

## **Xie Zhenhua's Speech at Peking University, Guanghai College of Management January 2010**

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(Unofficial, Informal Translation)

Distinguished guests, ladies, gentlemen, and Guanghai School professors and students, hello everyone!

I am very honored to participate in the famous Guanghai New Year Forum at Peking University. I was tasked by Professor Zhang Weiyong to brief you about the Copenhagen Conference and the issues regarding low-carbon development. Climate change is a global issue, affecting the long-term development of each country, and requires strengthening international cooperation and adopting a fair and reasonable approach to solve. In 1990 the United Nations General Assembly established the Intergovernmental Negotiating Committee. In 1994 the United Nations Framework Convention on Climate Change took effect. In 2005 the Kyoto Protocol took effect. In 2007 the Bali Road Map came into being, and last year the Copenhagen meeting took place. All these events witnessed the historical process of forming and coalescing international consensus on climate change issues. In the recently-concluded Copenhagen meeting, Premier Wen Jiabao comprehensively expounded China's policies, measures, achievements and initiatives to address climate change issues. He reached out to leaders from relevant countries, and played a critical role in breaking the deadlocks of the negotiations.

The Copenhagen Conference attracted delegations from 194 countries, leaders from 119 countries, thousands of international organizations, and representatives of NGOs and entrepreneurs. The conference center could only accommodate 15,000 people, however there were 46,000 actual attendees. The negotiation process was very complex, with intense and complicated conflicts. The Chinese delegation participated in all the negotiations with a positive and constructive attitude. The delegation made a significant contribution to the birth of the Copenhagen Accord. The Accord established a long-term goal of limiting the rise of global temperature by 2050 to within 2 degrees Celsius. It also clarified that developed countries should provide 10 billion US dollars annually in the next three years and 100 billion US dollars annually by 2020 to support mitigation and adaptation actions as well as capability building in developing countries. These responsibilities came from developed countries' historical records.

The Accord adhered to the basic framework of the Convention and the Protocol, especially the principle of "common but differentiated responsibilities." It should be said, as everyone has already seen in the news reports from throughout the whole conference, the Danish chair's proposal did not hold to the two-track system. During the ten days of the conference, developing countries like the African nations and the G77 group staged walkouts twice, all no longer participating in the conference, insisting that they would only return on the condition that all the negotiations be based on the Kyoto Protocol and the Convention. Otherwise, if talks were not based on the Kyoto protocol, they would no longer talk.

During the 10 days, developing countries left the negotiating table twice. Finally, developed countries had to compromise, namely, to stick to the principle of "common

but differentiated responsibilities” and the dual-track mechanism established by the Bali Road Map. Increasing transparency of developing countries’ mitigation actions was one of the central issues between the US and China during the Conference.

In accordance with the Bali Roadmap, developed countries’ emission reduction actions and the funding and technology supports to developing countries should be subject to international verification. In accordance with the Bali action plan the US and other developed countries requested that the mitigation actions that received international funding and technology support should be subject to international verification. However, they also called for developing country actions that did *not* receive international support to receive international verification.

Of course developing countries, especially China, absolutely cannot accept this, so they put forth a compromise, asking could we accept the idea of peer review? We said we also would not accept peer review, which is a disguised form of verification. Finally both sides made some compromises, the developed countries bound together the \$100 billion in financing to developing countries with the question of accepting international verification, saying, if China and some other major developing countries don’t accept our verification, or don’t accept the conditions we put forth, we will withhold our money. This divided developing countries, so at last we considered the interests of developing countries, especially small island nations and the least-developed nations, and in the end we accepted compromises, accepting “consultation and analysis” on developing country mitigation actions. This compromise will actually increase the transparency of developing countries’ mitigation actions.

It must be said that the Copenhagen Accord provided a basic framework and foundation for the negotiations in Mexico late this year, although these negotiations were extremely tense. That said, thanks to the active pushing of China and a wide range of developing countries, the conference overall achieved an outcome beneficial to developing countries, in keeping with our country’s negotiating objectives.

The Copenhagen Conference was an intense competition for development rights between developed and developing countries. Developed countries emphasize the importance of climate issues, but climate change is completely a product of their unconstrained greenhouse gas emissions during the past 200 years of industrialization. So currently they downplay their historical responsibilities, demanding that everyone all take measures to reduce greenhouse gas emissions; they emphasize the issue of climate change, but downplay the issue of development.

They stress the common responsibilities rather than differentiated responsibilities; as [NPC Vice] Chairman Jiang also mentioned in the past they always talked about containment of China, now it’s the notion of responsibility. Developed countries try to divide developing countries into “emerging developing countries,” “developing countries,” and “least developed countries.” Developed countries require “emerging developing countries” to take the same responsibilities as they do. As a matter of fact, adaptation to climate change is the most urgent issue for developing countries. For example, the small island nations are saying that if no steps are taken, in the next 20, 30 even 50 years our country will have disappeared, so the question of adaptation is currently essential for developing countries.

Regarding the issues of financing and technology transfer, developed countries emphasize the role of the market but shirk their governments' responsibilities. At the same time, they tried to replace the Convention and the Protocol with a single document, that is the Danish Text the media is always talking about. In reality, they wanted to use a single text to completely replace the Kyoto Protocol.

The developing countries of course could not acquiesce under these conditions, which muddle up the principle of "common but differentiated responsibilities." Developed countries are using climate change issues to restrict the development of developing countries and maintain the North-South gap between the rich and the poor, with countries like China, Brazil, and India particularly targeted; they are very worried about China's pace of development. Developing countries argue that developed countries should take major responsibilities reflecting the huge amount of historically cumulative emissions and the current high level of emission per capita.

Developing countries insist on the principle of "common but differentiated responsibilities," adhere to the authorization of the Bali Road Map, and strengthen comprehensive, efficient and sustainable implementation of the Convention and the Protocol. They insist that developed countries should continually lead the process of substantial emissions reduction in accordance with the Convention and the Protocol, and keep the promises of financing and technology transfer.

Developing countries, as a basis for sustainable development and in the context of developed-country financing support and technology transfer, can take climate change mitigation measures consistent with their national conditions.

We adhere to international law and the consensus reached in past negotiations without any additional requests for developed countries. The goal of developed countries is to pursue economic development, to increase adaptation capacity in the process of alleviating poverty, and to reduce greenhouse gas emissions. The major point of contention in the Copenhagen Conference was focused on how to share the reduction responsibility, funding and technology transfers. They are linked to the question of who pays, how much, and how to use the money. Ultimately, these issues reflect the question of development rights, which was the essential question of the entire negotiation

The international competition on climate change involves competition in many aspects, including politics, economics, the environment, technology, laws and ethics. Among these the most fundamental issue is about emission rights, financing and technology. It is about space for economic development. While protracted negotiations on development space were taking place, in reality many countries have quietly started competing in low-carbon economic development. Thus the global negotiations on climate change can also be seen as allocating development space.

A country's development space is restricted by the amount of emissions decided by the negotiation. Under these circumstances, countries with low-carbon technologies or low-carbon industries will have a development advantage and more development space. Some people believe this is a global competition as significant as the space race in the Cold War.

In 2003, the United Kingdom first proposed the development of low-carbon economy as a major development strategy. The EU followed up by issuing a series of relevant policies, the “three 20%’s” (20-20-20) goal, to make sure the greenhouse gas emissions in 2020 will reduce by 20% of the amount in 1990. But 20% is not enough. In accordance with the Convention, the EU should reduce emissions by 25% to 40% from the 1990 base. They also put forth the policies of raising the share of renewables to 20%, and reducing energy consumption by 20% (the three 20%’s). The EU wants to establish the low-carbon economy as the core element of international cooperation, and highlight carbon trading methodologies. Since they have low carbon technologies, they want to begin carbon trading now so they can dominate the entire carbon-trading market.

Just consider for a moment once the emission reduction quantity has been determined, there will be trillions of dollars needed in the global carbon-trading market. Japan has put forward the concept of a low-carbon society, and advocated for building a prosperous society of sustainable development under the conditions of low-carbon emissions and climate stability. Japan has made and implemented a series of relevant policies and measures. The Obama government in the US also initiated an ambitious program.

In the economic stimulus package of 780 billion dollars, the development of new energy will play an important role in ceasing the economic recession, creating jobs, and seizing an important strategic industry for future development. President Obama proposed the output of renewable resources would be doubled in the next three years, and in the next 10 years, 150 billion US dollars would be invested in clean energy research, mainly for the research and promotion of solar, wind, bio-fuels and other clean and renewable resources. Russia, India, Brazil, South Africa, Korea, and other transition economies and developing countries one after another are carrying out low-carbon economy policy-oriented research, encouraged by the global financial crisis to seek new avenues of economic growth. Therefore, the low-carbon economy has become the preferred model of growth in the post-financial crisis era, and everyone is readjusting their economic structure and growth patterns in accordance with the low-carbon economy.

Generally speaking, many countries have realized that the only path that can balance climate change and development needs is to develop the low-carbon economy. It’s also known as a development path of relatively lower GHG emissions, and therefore the development pattern and the concept of a “low carbon” or “zero carbon” development model has been proposed. To achieve the goal of zero carbon along with economic development, we need to use carbon capture and storage technologies, to have the ability to capture CO<sub>2</sub> emissions that are produced and then to store them underground. Only by doing this can we have development space, while following the low-carbon, zero-carbon mode of growth.

These countries that are developing the low-carbon economy have the following methods, (1) fostering a market environment, and (2) having technological support. Right now everyone has realized that, in the end, unlocking the challenge of climate change will be decided by technology innovation. Cooperation is needed between government and companies, based on the country’s own reduction plan and development goals. Unless the total CO<sub>2</sub> emission goal is determined, we can’t calculate the abatement cost. Costs determine prices, so we can figure out how to

achieve our goals at the lowest prices. A market-based trading mechanism will then emerge. Many countries have foreseen this trend and are preparing.

China is facing many challenges for developing its low-carbon economy. Firstly, China is in an era of rapid industrialization and urbanization, which determines that its CO<sub>2</sub> emissions will continue to grow. As stated in the Convention, in order to fight against poverty and develop economy, developing countries should be allowed a period of GHG emission growth during the period of urbanization and industrialization. We now have promised 40%-45% reduction per unit GDP based on a 2005 base. Members [the other negotiating parties] asked us to plug in an absolute reduction value, but we refused, because we are a developing country, so they accepted that.

We can have relative reductions for now, but can we say what year emissions will peak? As we have discussed, they will continue to grow for some time and we cannot say when they will peak. These questions are essential for countries like China, India, and Brazil, as defining the peak year of emissions in reality locks in development space. China's current goal of relative emissions reduction still has an appropriate amount of [absolute emissions] increase, this is reasonable, but we have not yet determined when our emissions will peak.

Secondly, coal is still China's main source of energy (and it's the largest CO<sub>2</sub> emitter.. Thus in considering our energy structure, the fact that coal comprises 60-70% of total energy use, if we compare this situation to that of using oil or natural gas, we are faced with greater difficulty in controlling GHG emissions. We thus need to adjust the energy structure.

Thirdly, the market environment and technological foundation for low-carbon development still needs improvement. China is still a large developing country, and in developing a low-carbon economy, we must take into account the uneven economic development in the country; in fact China is analogous to the global North-South development gap, we are a microcosm of the world. The eastern and western parts of China have some differences when it comes to economic development and ability to lower CO<sub>2</sub> emissions. We cannot adopt one single standard for all, and this puts even greater demands on the low carbon economic policy frameworks and management mechanisms we need to establish.

Fourthly, China is facing huge pressure from the developed world, which, due to the latter's advanced financial, technological and low-carbon market conditions, has an advantageous position in the international low-carbon economic competition. Additionally, developed countries want to protect and maintain their dominant position by setting carbon tariffs and other green barriers to trade, seeking to limit China's economic development. These factors are all challenges and disadvantageous conditions we are facing in creating a low-carbon economy.

During the Copenhagen Conference, the EU and the US both put forth that if you [China] don't agree to our requirements for mitigation then we will pursue unilateral trade sanctions, that is, by setting up a new carbon tariff system. The US wants to establish a border tax adjustment for goods imported from China or other developing countries, according to the carbon footprint of the entire production process. Protectionism was one of the key topics in Copenhagen, and it will continue to be an important agenda

item this year in this years talks. Our development of the low-carbon economy still needs time, and this adds pressure to our economic development.

Although developing a low-carbon economy faces many challenges, we should also see the opportunities ahead. First of all, a low-carbon economy suits China's needs for sustainable development, coming out of China's long history of environmental constraints, high pollution, high consumption of resources, and low output. Striving to build an environmentally friendly society and low-carbon economy is entirely consistent with sustainable development. Secondly, as China is promoting energy efficiency and restructuring its industry infrastructures, the low-carbon economy helps create a new market force that brings along the emergence of low-carbon products and a new sector for low-carbon services.

This is also building an innovation-oriented society, a natural choice to move down the road to a new kind of industrialization, expanding a market for low-carbon goods and services while limiting and lowering greenhouse gas emissions. Market demand for high energy-consuming, high emissions goods is shrinking, so we must go this road.

Furthermore, the ideas of carbon tariff and carbon trading are getting popular internationally, and these signals will lead China's domestic economy and related industries to accelerate on the path to a towards a low-carbon economy. China possesses some crucial assets for developing a low-carbon economy. For example, China has already set goals for reducing CO<sub>2</sub> emissions and exploring renewable resources by 2020, which have been integrated into the country's economic and social development plans and the 12th Five-Year Plan. China has built up mechanisms to tackle climate change as part of the Congress' legislative process. Following the concept of "circular economy," the ideas of "green economy" and "low-carbon economy" have been lifted to the national economic and social economy agenda, which will provide a very good foundation for a low-carbon economic development.

In the face of the current challenges and opportunities, to develop a low-carbon economy, we must unite ideas, strengthen confidence, follow the Scientific Outlook on Development as a guide, accurately grasp the how the times are developing, understand China's own conditions, and adopt an incremental approach to development. We need to support emerging industries and sustainable development driven by technological and policy innovation, and focus on energy efficiency and optimization. Economic, technological, legal and administrative measures shall be taken wisely to promote the development of a low-carbon economy.

A comprehensive plan and policy guidance shall play their roles in coordinating economic development and climate change mitigation, domestic needs and international situations, as well as current needs and long-term interests. We shall make efforts in developing low-carbon economy, clean production, energy saving and emission reduction. A set of policies and measures shall be taken to provide guidance. Meanwhile, we need to place more emphasis on fostering market mechanisms and encouraging technological innovations.

[We must] continue to delve into the work of energy conservation, optimize the energy structure, reducing the proportion of high energy-intensive industries, continue to increase energy-efficient technology transformation in key industries, strengthen energy conservation management. Accelerate the development of low-carbon energy, industry,

construction, transportation, clean coal production and utilization, optimize the development of thermal power, the orderly deployment of hydropower, accelerate the development of oil and natural gas, actively promote nuclear energy, vigorously develop wind, promote the commercialization of solar photovoltaic, utilize biomass according to local conditions, and increase the proportion of non-fossil fuels in primary energy, currently at 9%, to reach approximately 15% by 2020. We must vigorously develop new high-tech and service industries, and promote the commercialization of low-carbon technology, enhancing economic competitiveness. We must improve building energy efficiency standards, develop new building materials, improve construction quality, lengthen service life, accelerate supply restructuring, implement district combined heat and power, speed up urban public transportation systems, and develop rail transportation. Speed up the elimination of old public transport equipment, install more efficient vehicles and reduce energy consumption in different modes of transportation; in fact all these aspects of policy are things we've already begun implementing. As private consumption increases, China's greenhouse gas emissions are expected to grow too, so therefore is necessary to vigorously promote energy-saving environmental protection, advocate the concept of "low-carbon consumption," provide guidance for urban and rural residential consumption, and vigorously develop energy-saving, environmentally friendly products to provide the public with more consumption options. [We must] strengthen reforestation, increase forest carbon sinks, expand forest cover, strengthen forestry management and improve forest quality, these are China's policies and measures already announced by the General Secretary [President Hu Jintao] at the UN summit.

Not too long ago, the State Council released the goals of CO<sub>2</sub> reduction by 40%-45% in 2020 based on the level of 2005, and the increase of renewable energy share in primary energy consumption up to 15%, and will include these goals as binding targets in our mid-term and long-term national development plan. Throughout the whole process, we should set targets broken down by region and by key industries, with a strict monitoring and data collection and evaluation system. In the current 11th Five Year Plan period, we monitor per unit GDP [energy] intensity annually. The international community has put forward the idea of reporting, monitoring, verification as the "MRV system." As a result of the negotiations, we will use the international guidelines on MRV while establishing our own system, releasing the results of our monitoring and verification to the public and to the international community, which will examine them, and we will receive consultation and analysis from the international community. So we have recently been talking with Ma Jiantang, the head of the National Bureau of Statistics, about how we can build and strengthen our MRV system. I recently saw a document that said the US government has launched a verification operation on China's energy consumption and GDP in 2005, to base future discussion of mitigation efforts on that calculation; they claimed they only wanted to learn from us, to discuss with us, but no matter how you put it, the fact is they really wanted to check us. Energy saving and emissions reduction, creating a low carbon economy, these are things we must do for ourselves, due to our own development needs. Thus, our national plan on climate change includes policies and measures to speed the development of our low-carbon economy.

Addressing climate change and developing a low-carbon economy have become the themes of our time and our responsibilities to the world. But we need to carefully address a series of issues regarding the international climate negotiations and the development of a green, low-carbon, and circular economy in China. We need academic support from you. Recently I saw an article from Beijing University's Law

School on carbon politics, very inspiring, and now we have a whole range research institutions studying these questions of climate change and the low-carbon economy, including Chinese Academy of Sciences, School of Engineering, Chinese Academy of Social Sciences, Development Center, Tsinghua University, Renmin University, National Development and Reform Commission Research Department, Energy Branch, Academy of Agricultural Sciences, the Yellow River Institute. Each of these institutes have experts specifically researching the issues and questions we encounter in creating a low-carbon economy, such as the science of climate change, carbon footprint calculation, carbon allocation in the next international negotiations and so forth. Currently, some research units have proposed new mechanisms, such as a carbon accounting mechanism based on historical emissions, and one based on average population. Aside from that, there is also the issue of embedded carbon; Mr. Fan Gang has researched carbon tariffs and the idea of how to calculate carbon emissions according to consumption rather than production, in fact this complements what we put forth in our negotiations. Because they [other countries] say our country's emissions are very high, but within those emissions 24% are transferred [to other countries, i.e. via trade], so the idea was put forth, why doesn't each country count emissions in the consumption sectors? They [Chinese researchers] developed some theories in this regard.

Overall, we truly welcome the support of our colleagues at Beijing University, especially in the Guanghua School of Management, participating in the policymaking aspects of the fight against climate change and the development of a low-carbon economy, and hope to have your support, thank you!