CHINA'S AMBITIOUS LOW CARBON PLANS MAKING PROGRESS

CHEN Gang

EAI Background Brief No. 560

Date of Publication: 8 September 2010

Executive Summary

1. The National Development and Reform Commission (NDRC), China's top economic planners, has drafted the first development plan for the energy-saving and environmental protection industries (节能环保产业发展规划).

2. With the output of the energy-saving and environmental protection industries accounting for 5% of China's GDP in 2009, planners hope this figure will rise to 7 to 8% by 2015.

3. From 2011 to 2015, the output of the environmental protection industry is to grow 15% annually to 900 billion *yuan* (US$132 billion), while the total daily capacity in urban sewage treatment is to be increased by 90 million tons, with another 50 million-ton sewage treatment capacity to be upgraded.

4. China, now the world's largest carbon emitter, has made the energy-saving segment an independent industry in parallel to the traditional environmental protection industry that mainly focuses on water treatment, solid waste disposal, air pollution control and environment monitoring.

5. China increased its clean energy investments by more than 50% to US$34.6 billion in 2009. It has taken the lead among G-20 nations for the first time, thereby replacing the United States.

6. The Chinese government is offering as much as 50,000 *yuan* (US$7,300) subsidies for the purchase of plug-in hybrid electric vehicles and 60,000 *yuan* for pure electric vehicles, in Shanghai, Changchun, Shenzhen, Hangzhou and Hefei.

7. The central government has given R&D subsidies totaling 4 billion *yuan* (US$585 million) for the development and industrialization of core renewable energy equipment including key components for wind turbines and advanced

silicon technologies for solar PV, with another 2 billion *yuan* allocated to R&D of biofuels.

8. China is already the world's largest manufacturer of wind turbines and solar-panels, and was the second largest producer of wind power in 2009.

9. China is turning the global concern for climate change and environmental pollution into a rare opportunity to force itself to upgrade and optimize the economic and industrial structure.

10. Despite China's earnest clean-up plans, whether such green effort is sufficient to offset the enormous ecological costs brought about by China's hyper-rate of massive production and consumption is still questionable.

11. China's burgeoning environment industry faces serious problems of overcapacity and latent financial risks in this round of investment frenzy in the green market.