

**SEEKING CLIMATE LEADERSHIP
ALONG THE BELT AND ROAD:
CHINA'S RENEWABLE ENERGY
INVESTMENT IN SOUTHEAST ASIA**

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Executive Summary

1. China's climate-related investment in Southeast Asia and other Belt and Road countries is essential for the country to improve its image and, potentially, to seek international influence or leadership on climate and energy issues in the long run.
2. Energy demand in Southeast Asia has increased on average by around 3% a year over the past two decades and is set to increase by 60% in line with the region's rapid economic growth by 2040.
3. Southeast Asia has considerable potential for renewable energy, but (excluding the traditional use of solid biomass) it currently meets only around 15% of the region's energy demand.
4. Renewable energy like solar, onshore/offshore wind, hydropower, biofuel and geothermal energy will play a key role in the energy transition and mitigation effort in Southeast Asia.
5. The Association of Southeast Asian Nations (ASEAN) is targeting a 23% share of renewables in total primary energy supply and a 35% share in installed power capacity by 2025, with energy intensity to drop 32% from 2005 levels.
6. Southeast Asia's clean energy transition, which requires the gradual phase-out of coal as a primary energy source and an increase in renewable energy production and consumption, aligns with major powers' climate pledges including those from China.
7. China has been promoting 'third-party market cooperation' along the Belt and Road. China's climate cooperation with the United States, European Union and other powers is essential for the country to achieve its two earlier mentioned objectives in the Indo-Pacific region.

8. Since Xi's announcement of carbon neutrality target and prohibition of overseas coal projects, Chinese companies have pumped up investments in Southeast Asia's renewable power sector.
9. Supported by China's massive manufacturing capacity of solar and wind equipment, and investment-friendly policies towards some Southeast Asian countries, Chinese investors are in a strong position in terms of cost-competitiveness in project tenders.
10. China aims to enhance energy interconnection with Southeast Asian countries and tap their rich renewable energy resources that are to be incorporated into their grids in the coming decades.