




China Council for International
Cooperation on Environment
and Development

Green Development: Opportunities for China in Times of Economic Challenge

*“Green Development:
Opportunities for China in Times of
Economic Challenge”*

CCICED 2009 Roundtable Meeting

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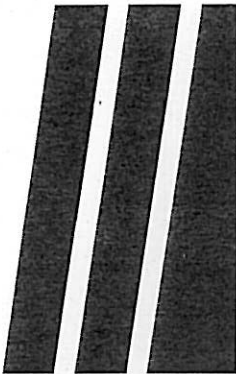
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technical revolution spurred by electric applications. Similarly, ten years or so after the Great Depression, a new technical revolution occurred, characterized by innovations in the fields of nuclear fission, computer/information and space technology. Why not be so bold as to foresee a

3. "Fighting the global recession and global warming simultaneously – Towards a global low carbon economy"

Dr. Dirk Messner, CCICED Member and Director of the German Development Institute

Economists, governments and policy makers need to be convinced that the greening of national recovery programs is not only good for the environment, but also for employment, economic recovery and long-term economic growth, for the following five reasons. First, in the medium term, climate change poses a far more serious threat to the global economy, human development and international security than the current global economic crisis, since the effects of climate change are irreversible, while the same is probably not true for the economic crisis. Second, because global warming is accelerating even faster than predicted by IPCC in 2007, combating climate change has become a short-term challenge – to be addressed in parallel to, and not after, the recession! Third, the window of opportunity to avoid dangerous climate change being very small (between five to ten years), action must be taken now, otherwise stimulus packages will produce high-carbon path dependency and higher miti-

new revolution emerging in the aftermath of the financial crisis, in the fields of clean technologies and clean energies? Accordingly, China should better concentrate its resource advantages, in view of the above long-term objectives.

gation costs in the future. Fourth, the IEA is predicting sharply increasing prices for fossil fuels after the economic crisis; low-carbon energy systems are therefore not only the key for environmental protection but also for energy security. Finally, deciding not to invest into long-term sustainable growth and employment is equivalent to pre-programming the next climate-driven economic crisis.

In striking contrast to the above needs, a review of national recovery programs and their green component shows that we are not at all on track, excepting South Korea and China, with respectively 85% and one third of their stimulus packages being green investments. South Korea is the only country that is promoting a forceful strategy of combating economic recession and climate change simultaneously.

Five characteristics of the transformation processes leading to low-carbon economy were reviewed:

1. Low-carbon strategies are needed

across the whole economy, not only in two or three sectors. In the words of Lord Mandelson, "Low carbon is not a sector of an economy – it is an economy." There are no islands of low carbon economy. Great transformations must be pushed throughout the whole economy.

2. Shifting from changing sectors to transforming entire systems. A systems approach will generate higher GHG efficiency gains and synergies, in low-carbon cities, for example, where architecture, energy, new materials, transport, waste management, electric cars and education are brought together. Transnational energy systems also come to mind, as well as biomass systems.

3. A global approach to low-carbon economy, coordinated by the G20, with participation from all countries. The "Global Action" scenario built from the McKinsey study calls for developed and developing countries to begin today, respectively, to mobilize 90% and 30% of existing technological possibilities to reduce GHGs; by year 2015, the developing world will need to mobilize 90% of such possibilities. A very challenging international effort is necessary, if we are to have any chance of achieving the 2°C target

that we are focusing on towards Copenhagen.

4. Worldwide green policies, already abundantly examined by other speakers. The international community and individual nations need a tool-box to implement low carbon economy.

5. Low-carbon society: lifestyle transformation, new consumption patterns, behavioural changes. Low carbon economy is not only about innovation or technology – it is also about behavioural change and social change.

It is very encouraging to see that some Chinese scholars are advocating for an even more aggressive low-carbon agenda, in the most advanced regions of China, namely Jiangsu, Liaoning and Guangdong. Prof. Hu Angang is actually proposing that the above regions should aim for carbon emissions to peak in 2012, while reducing emissions to 1990 levels by 2020 and reducing carbon emissions to half of 1990 levels by 2030.

In conclusion, economists, political decision-makers and society at large need to be convinced that green growth is employment-based and that it can create more employment than traditional investments.

Debate and discussion

The underlying nature of the environment problem is that environmental resources have not been remitted, nor have they been managed as being scarce.

Without scarcity, there is not any value; without scarcity, there is no particular reason to pay attention to or manage those environmental resources. To change the

behaviour of economic actors, they must be convinced that environmental resources are limited and that failure to stay within those limitations will be severely punished. Our common goal is to stay within our environmental budget. This is the main lesson from the global financial crisis: the failure to live within our means. The present opportunity for China is to more completely specify its environmental goals and targets, so that as enterprises begin moving forward again, they will be guided by these goals and responsibilities. To stimulate innovation, enterprises must be allowed to produce their own solutions, while staying within the national goals. There are many policy goals and tools to achieve these aims. But the key point is to have these goals, targets or limits in the first place. If enterprises are to make green investments, they need to know what is expected of them in terms of product development and general direction.

The very enriching concept of low carbon society, which emanated from the G8 Summit last year in Japan, not only relates to technology or the economy, it is more than just changing consumption and production patterns, it involves making transformational changes to our lifestyle: how we live, how we work, how we go to work, etc. Without such transformational changes, all the technology and the money in the world will not achieve much carbon footprint reduction. For example, one could have implemented simple measures to reduce the carbon footprint of our

meeting room: changing to energy-saving lighting and utilizing motion sensors to dim the lighting during coffee breaks. How many rooms like this one are there in China or all over the world?

Recent FAO statistics indicate that China's forestry resources are presently growing by 3-4 million hectares a year, whereas global resources are declining. China's forestry sector is implementing the new management concept of carbon sink forestry, which is a low-cost and very promising model in terms of creating employment opportunities and raising peasant income. The China Green Carbon Foundation, recently established in cooperation with Petro China and other large enterprises, is encouraging business participation in reforestation and CO₂ capture. Carbon sink forestry is proving to be a low-cost and very promising sector in terms of job creation and peasant income. It also provides an opportunity for industry to reimburse agriculture and for cities to nourish the countryside.

As the global economic crisis unfolds, the current economic model is increasingly felt as being unsustainable and many are now exploring low carbon paths. Low carbon economy is not a goal in itself, but rather a means towards a goal – to live within our means, on our planet, for this generation and generations to come. The approach to low carbon economy should be global and involve all G175 or 200+ countries. Learning from history, we can see intensive manufacturing moving from developed countries to developing coun-

tries, and, within developing countries, from developed regions to underdeveloped regions; the problem has not been solved, it has only been shifted around. We are now facing a new crisis and need to work together at solving the problem, not at shifting it around. We also need to work together on our carbon footprint, which represents 40%-50% of human impact on the Earth. We need to look together at our overall footprint, at our demand on nature and at the sustainable use of resources.

Many participants are policy makers and business persons. We also need to raise the voice of civil society, a point which was made last year in CCICED's recommendations to the State Council. It is time to mobilize global public power, in order to bring about a global new deal on climate change by year end. China is also developing an increasing awareness of the importance of public participation and of civil society.

Institutional issues need to be raised, in relation to China's green recovery. Some speakers have held the optimistic view that China's stimulus package was one of the world's largest; in fact, the direct green component within the 4 trillion yuan stimulus package is rather small. Moreover, institutional issues might jeopardize the efficient implementation and monitoring of the indirect green component. As a matter of fact, surveys made by the China Institute for Economic Reform reveal that as investments are being rushed through, there is a relaxation of regulations. Some

projects might also damage the environment: water conservancy projects, for example, are initiated under stimulus arrangements, but in the absence of secured budgets for future maintenance, reservoirs and canals might very well dry up, providing no environmental benefits to offset the project's environmental costs. Railroad projects are also rushed through, without proper economic, technical or environmental feasibility studies; we risk finding out, only after project completion, that air or road transportation would have been preferable alternatives. The root of the problem is institutional: local GDP growth targets are still a major factor in the performance assessment of public officials, who are also eager to promote local employment. There is therefore a need to establish policy safeguards in this respect, if good ideas and plans are to have any chance of materializing.

The financial and economic crises are far from having reached bottom and markets are far from stabilizing, despite recent optimistic pronouncements to the contrary. In fact, \$30 trillion are needed to correct the overspending of the last twenty years of boom economies and so far only \$11 trillion have been mobilized. The animal is still extremely comatose, but there is still hope: the patient on life-support systems is responding to the recent stimulus. However, since the huge amounts of money invested in recovery have been created artificially, without any creation of real wealth, colossal inflationary pressures are to be expected during

the summer.

In the context of the economic stimulus packages, investments in agricultural resource efficiencies would produce double whammy results: on the one hand, the use of natural resources would be improved, while reducing the impact on biodiversity, natural resources, water, land and, on the other hand, the increasing social pressures in rural areas would be reduced, at a time when the crisis is creating a huge reverse migration back to the countryside. Governments and food companies are seeking the same efficiencies in the use of agricultural natural resources and are equally concerned about increasingly high food prices that might shortly compound social problems; in order to achieve such efficiencies, governments should engage business more proactively.

CCICED needs to further address and analyze the unsustainability of China's old energy and resource-intensive, export-oriented economic development model. Very many people, in particular at the

Session summary

by Professor Ding Yihui

Four main topics were raised and discussed, in the context of the severe challenges posed to environment and development by the economic crisis. First, green recovery and the Green New Deal were very much part of the discussion, as a means towards lasting economic recovery.

local level, still consider this as a working model that has very quickly produced tremendous economic development and wealth. Many people might view green economy as a possible future option, but certainly not as a choice that will today generate rapid GDP growth. Actually, on the ground locally, people in many areas are still looking at expanding all manner of industrial parks and production-related investments to stimulate the economy. If CCICED does not continue this critical analysis and research work, no matter how forceful CCICED's advocacy for green economy may be, the voice of people wanting to develop, restore or even expand traditional manufacturing will be just as strong.

CCICED should not only recommend policies to be adopted or strengthened; it should also further analyze and point out current unsustainable policies. Our policy recommendations would then certainly gain in relevance. Current policies are certainly not all sustainable.

The Green new Deal concept, recently put forward by UNEP in response to the economic crisis, has in fact much similarity to China's concepts of circular economy and low-carbon economy.

Second, there was much discussion about whether green development can

actually bring the world out of the crisis and ensure that the environment will not be sacrificed for the sake of economic recovery, while at the same time staying the course of sustainable development. Low carbon economy rests at the core of green development.

Third, numerous measures and options to be considered in the present difficult context were also reviewed, in relation

by Sir Gordon Conway

We have had this morning a very good discussion on the tension between recovering from the financial crisis and our common goal of combating climate change, improving the environment and providing a high standard of living for everybody in the world. It is very easy to say that; none of us really know how to do it.

According to some speakers, the worst of the downturn is over in China; that statement echoes some comments by western leaders about "green shoots". But many observers are much more pessimistic about the next couple of years.

We have heard about the negative impacts of the recovery plans, which include weakening of regulations, misguided subsidies and rising protectionism in the guise of environmental trade values. Regarding the positive impacts of the crisis, the emergence of the G20 stands out, even though the needs of the G172 must also be taken into account. It is going to be very important for the new members of the G20, in particular China, India and Brazil, to recog-

to the economy, innovation, employment, adaptation and abatement, and institutional change.

Fourth, the session reached consensus on the need to address simultaneously the financial crisis and climate change and on the interconnectedness of the two. Failing to do so, economic recovery will be short-lived.

nize that being part of the G20 carries with it a responsibility to also voice the fears, the hopes and aspirations of all those other much less developed countries around the world.

All speakers mentioned the need to move towards a low-carbon economy. Some gave the concept a broader scope: low-carbon development, low-carbon prosperity, low-carbon society, resilient low-carbon development, implying not only innovation in terms of technology, but also innovation in institutions, transformation of major systems (low-carbon cities, transnational energy systems, biomass systems), of production and consumption patterns, as well as transformational changes in our lifestyles, in our mobility and in the way in which we relate to each other. In this vision for year 2050, the world, finally living within its environmental means, will be sharing resources more equitably, hopefully introducing a less conflictual and more peaceful era. Seen from this perspective, it becomes a really inspiring objective.

We can get there in part through the top-down process. In China, the 12th 5-year Plan is going to be absolutely critical. This plan will be getting China onto the path towards low carbon society. But equally importantly, it is a bottom-up process too. One of the great features of China is that innovation does not just come from the top; innovation comes from the bottom, as can be seen in Ningxia, where the science-based devel-

opment concept is put into practice, on the ground.

None of the above objectives will be achieved in the absence of a sound system of monitoring and accountability, with good indicators based on the best of natural, social and economic sciences.

Finally, none of this is going to happen unless civil society plays a really important role in monitoring and advocating to get to this low carbon society.