News Release

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How China has gone from green laggard to green leader

China has a track-record of making changes rapidly. Within just the past decade or two, the world's most populous country has become its biggest market for passenger cars, its biggest e-commerce market, its biggest exporter -- and its biggest source of carbon emissions. Now, China has also assumed a leadership position in the green-investment arena.

China is ploughing billions into clean energy, promoting the use of electric vehicles, investing in low-emissions infrastructure for its fast-growing cities, and widening the options for green financing.

"Efforts to decarbonise and green China's economy permeate the very fabric of its economic endeavours: while they aim to tackle pollution and climate change, they also dovetail with Beijing's goal of taking the economy up the value chain, boosting home-grown high-tech industries and the high-end jobs that come with them, and paving the way for more sustainable, balanced and ecologically-aware economic expansion", said Mukhtar Hussain, Chief Executive Officer, HSBC Malaysia.

The fact that many of China's low-lying urban areas – including the megacities of Shanghai and Guangzhou -- are vulnerable to the effects of rising sea levels and intensifying weather conditions adds another dimension to the need to act.

At the same time, China's more and more educated, articulate and confident citizens are increasingly demanding that the benefits of economic growth come without the pain of environmental degradation.

The Chinese authorities have recognised the need for action. They have declared a "war on pollution," and over the last few years have been charting a clear path to a low-carbon economy, pledging under the current Five-Year Plan to incorporate ecological conservation into every aspect of economic, political, cultural and social development. The plan's wide-ranging environmental targets include a 15 percent reduction in energy consumption per unit of GDP; a 23 percent improvement in water efficiency; a new 5 billion tonne cap on total energy consumption; and an overall 18 percent reduction in carbon intensity. In January, China said it would plough RMB 2.5 trillion (about US$360 billion) into renewable energy by 2020. The National Energy Administration's 2016-2020 plan aims to lower the share of coal in the nation's energy mix from about 64 percent now to 58 percent, and to raise the share of non-fossil fuel energy to at least 15 percent. While that percentage is still relatively low, it represents a clear commitment to becoming a world leader in green energy.

The changes are already well underway. China installed almost three times more wind power capacity – 23.3 gigawatts -- than the United States last year, taking its total wind power capacity to about one-third of the global total. The country's photovoltaic capacity more than doubled last year, turning China into the world's biggest producer of solar energy by capacity.

China has also made substantial progress in tackling barriers to private-sector investment in a more sustainable economy, including allowing overseas financial institutions to issue green bonds in China. The country has become the main driver of growth in the global market for green bonds. More than US$ 33billion-worth of Chinese green bonds were issued last year. That is well over one-third of the global total – and it is up from just US$ 1 billion in 2015.

On the low-carbon transport and infrastructure front, meanwhile, China has built more than 20,000 kilometres of high-speed rail lines in the past few years. The plan is to extend the network to 45,000 kilometres by 2030. Likewise, the authorities' support for electric vehicles means China is likely to become the world's largest market for such vehicles within the next few years.

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Mukhtar added, “A strong green element also runs through China’s ‘Belt and Road’ initiative, which will see billions of dollars ploughed into improving infrastructure links across more than 65 countries in Asia, Europe and beyond. Many of these countries have significant green initiatives, which tie in with China’s green motivations.”

ASEAN member countries, for example, are accelerating efforts to boost renewable energy deployment in the region. ASEAN is currently on track to source 17 per cent of its combined total primary energy supply from renewables by 2025. To achieve the target of 23 per cent by that date, set by ASEAN at the 33rd ASEAN Ministers on Energy Meeting (AMEM), the region must hasten the deployment of renewables.

In Malaysia, the Eleventh Malaysia Plan, which spans 2016 – 2020 and is the final five-year plan in the journey towards realising Vision 2020, highlights a fundamental shift in how Malaysia sees the role of natural resources and the environment in its socio-economic development. The Plan aims to facilitate a shift in the economy, particularly in the private sector, towards more sustainable patterns of consumption and production.

As an example, China General Nuclear Power Corp (CGN), which wholly-owns Edra Power Holdings Sdn Bhd, has brought an era of growth for its investments in Malaysia. The company for instance is on track to construct its extensive solar photovoltaic plant in Kedah by early 2018, with a generating capacity of 50 megawatts (MW). The initiative which is known as Project Kedah Solar will turn the once agricultural land in Kuala Ketil into an industrial site creating renewable energy. It will also develop Malaysia’s largest combined cycle gas turbine (CCGT) power plant in Alor Gajah in Melaka with 2,242 MW. The project when completed will deliver the most cost-effective conversion of fuel to electricity and will be Malaysia’s largest CCGT plant.

In Vietnam, the government last year adjusted its Power Development Planning for the period 2011 – 2020 to allow low-carbon technologies to play a more important role. In addition, the total electricity generation required in Vietnam would reduce about 20% and 18% by 2020 and 2030, respectively[1].

In the Philippines, the government has also committed to a 70% reduction in carbon emissions by 2030 and has a 15.3GW renewable energy target, thus encouraging a large increase in solar power as an energy source[2].

The changes in China’s – and ASEAN’s -- energy mix and electricity pricing regime, its car fleet or its capital markets cannot happen overnight. It will take years to clean up the environment and truly “green” the economy.

However, China’s and ASEAN’s policymakers are committed to the fight. They have not just the drive, but also the means, and the opportunity to capitalise on Asia’s economic transition to deliver major green progress in the coming years.

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[1] https://asean.usmission.gov/innovasean_20161205/

[2] http://www.aseanbriefing.com/news/2017/06/27/solar-power-industry-philippines.html

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