



Taking The Pulse

Insights on Climate Developments in China

Autumn 2023

Welcome to Taking the Pulse!

Taking the Pulse (TTP) provides the global climate community with access to the latest thinking inside China on the low-carbon transition.

In this newsletter, we gather recently published Chinese-language opinions, quotes, news articles, and reports to give readers a glimpse into the multi-faceted discussion on climate taking place in China.

In Focus: Competition or collaboration? How do Chinese stakeholders view the climate-trade nexus?

The intertwining of climate and trade issues is on the rise, notably reflected in the increasing requirements and restrictions on high-carbon products within trade policies. Facing an aggravating climate and environmental crisis with no time left to limit global warming, some governments view the adoption of these trade measures as a potentially helpful approach to achieve specific climate goals and boost low-carbon transition. A prime example is the Carbon Border Adjustment Mechanism (CBAM) - the EU's new regulation designed to prevent carbon leakage. In practice, it imposes a carbon pricing differential on specific high-carbon imports, utilizing a sophisticated calculation methodology.

But CBAM has sparked controversy. As a leading global exporter, China does not endorse the rationale behind this mechanism. The [Ministry of Commerce](#) recently underscored the imperative of preventing the emergence of potential new trade barriers. In the hope of better addressing climate change together, it advocates for the facilitation and liberalization of trade investment in green sectors.

For Chinese enterprises, CBAM reflects the preference of developed international markets for low-carbon products. However, the flip side is that such policies also bring about greater costs and technical challenges associated with carbon data collection and calculation.

And the climate-trade nexus has another dimension. With a growing emphasis on their local low-carbon industries, regions like Europe and the United States are applying stricter standards for importing low-carbon products.

Emerging sectors in China, including electric vehicles, power batteries, photovoltaics, wind turbine components and other clean industries, face mounting challenges in export and foreign investment. These challenges stem from diverse demands, from requirements for products and supply chains to meet high environmental sustainability standards, to restrictions ostensibly in the name of ensuring supply chain security and anti-subsidy investigations.

In October, the EU launched an anti-subsidy investigation on Chinese electric vehicles, citing concerns that subsidies from the Chinese government are suppressing prices. The lower prices, in turn, contribute to the growing market share of Chinese automakers in Europe, thereby distorting the European market. On similar grounds, there are reports suggesting that the EU is also considering an [anti-subsidy investigation on wind turbines](#) manufactured in China.

Trade policies related to climate or clean industries have become a prominent focus among all climate related issues in the Chinese media this year, with discussions predominantly centered around effects on competitiveness. These discussions reveal concerns about the new trade barriers and unfair competition and show that expectations for global climate cooperation among the Chinese public dampened significantly. Therefore, fostering mutual understanding and dialogue between China and other nations on these emerging issues is becoming crucial.

To shed light on different reactions and new thinking at the climate-trade nexus, *Taking the Pulse* has carefully selected representative viewpoints—sourced from businesses, research institutions, and government entities—in recent Chinese media. The objective is to present a comprehensive picture: some voices express concern, some delve into the impacts on Chinese enterprises and products, and others propose constructive strategies in the hope that Chinese businesses will turn pressure into motivation and exert greater leadership in low-carbon industries.

Quotes and opinions

The concerns

★ “The CBAM was introduced to address carbon leakage and maintain the competitive edge of EU products. However, after analyzing the operational rules of CBAM, it becomes evident that this mechanism effectively creates practical consequences for industrial competition. It is an emerging ‘green barrier’ and indeed, a veritable ‘carbon tariff’.”

“Given the current scope of goods covered by CBAM, the total trade volume affected may not be significant. Nevertheless, the situation becomes much more serious when considering the industries and companies it covers. As the global industrial chain and supply chain dynamics continue to evolve, the range of taxed products may continue to expand. Given China’s rapid strides in the export of electric vehicles and power batteries in recent years, what deserves more attention is the enforcement of the EU’s new Battery Regulation.”

- [Yang Pingjian](#), *Director of the Environmental Sociology Research Department, Chinese Research Academy of Environmental Sciences*

★ “It is crucial to emphasize that the EU has, over a long period of time, equipped its energy-intensive electrolytic aluminum production lines with green electricity, thus earning the ‘green aluminum’ label for its products. However, this strategy has notable downsides: it protects the industry’s obsolete capacity, thereby dampening the incentive for technological upgrades. In contrast, China is using energy-efficient techniques, although some production lines still rely on conventional power sources.”

“For the EU’s aluminum industry, the priority should be a substantial reduction in carbon emissions during the production process. The EU does not impose a carbon tax on local companies whose energy efficiency is below the world’s average, instead, it introduces a carbon tariff on China’s aluminum materials produced with higher energy efficiency. In that case, it is difficult not to view CBAM as a veiled maneuver in favor of trade protectionism.”

- [Ge Honglin](#), *President of China Nonferrous Metals Industry Association*

The responses

★ “Chinese companies were somewhat prepared for trade-related investigations as there were signals of growing pressure from the EU. Some Chinese EV manufacturers have already planned to build local manufacturing facilities in the EU to avoid potential anti-subsidy tariffs and to better meet the demands of the European market. Following the EU's recent move to defend its own auto industry, although Chinese companies haven't made an explicit statement yet, they will certainly accelerate their pace in establishing overseas factories.”

“Not only car manufacturers, but also Chinese EV battery manufacturers have long been planning to set up factories in Europe. In the future, both upstream and downstream players in the EV industrial chain will need to further localize their investments and operations in order to tap the European market.”

- [Zhu Yulong](#), *Automotive Industry Analyst*

★ “In the pursuit of carbon neutrality, it is necessary to leverage our net-zero strength. China is undeniably a global leader in areas such as wind and solar power, energy storage, electric vehicles, and heat pumps. Currently, developed countries recognize China's unparalleled position in wind and solar power, energy storage and electric vehicles. However, China is also facing criticism, with concerns raised about the impact on the security of their supply chains. This raises a key question: should climate morality take precedence, or should industrial security be the focus? It's important to articulate and clarify the common principle that should guide our approach.”

- [Pan Jiahua](#), *deputy chair of China's National Expert Committee on Climate Change*

★ “In the EU, carbon allowances have historically been provided free of charge to the industrial sector. In order to shift to auctioning of allowances and maintain the competitiveness of the region's industries, it is imperative to introduce a carbon tariff. In essence, this means expanding the boundaries of the EU carbon market and introducing cross-border management.”

“Beyond its impact on industries and companies exporting products to the EU, the CBAM imposes specific demands on the development of China's carbon market. Going forward, when Chinese steel companies export products to the EU, emission data reports must align with the standards of the EU carbon market. This requires China's carbon market to rapidly expand its industry coverage and introduce auctioning of allowances.”

- [Zhang Xiliang](#), *Director of Institute of Energy, Environment and Economy, Tsinghua University*

Turn pressure into progress

★ “Faced with increasing trade requirements for recycling rates and the use of renewable materials, Chinese battery manufacturers find it relatively manageable thanks to their existing work. However, calculating the carbon footprint within their supply chains is a task that departs from traditional production methods and is relatively unfamiliar to most companies.

“On the other hand, carbon footprint standards and databases are still underdeveloped, both nationally and globally. This may be a unique opportunity for Chinese battery companies to take the lead or participate in carbon footprint standard setting, and thus increase their influence in the field of sustainable development.”

- [Zheng Ying](#), *Invited Researcher at China Society of Automotive Engineers*

★ “In China, people often see certain regulations in Europe and the United States as obstacles. If these regulations only categorize certain entities as unreliable, we can indeed see them as barriers. However, if the legislation is applied uniformly, it should not be seen in this way.”

“It is important to study and understand these regulations. If you prepare in advance, you basically put on a bulletproof shell. This helps you to stay ahead of your competitors, and instead of being an obstacle, such legislation becomes a catalyst for competition.”

- [Wu Hao](#), *Director of Strategic Operations for the International Business Division, Gotion High Tech*

★ “It is crucial to seek the EU's acknowledgment for China's relevant energy and climate policies. In addition to carbon pricing in the carbon market, China has also implemented various emission reduction measures, including reducing carbon intensity, optimizing energy consumption structure, and improving energy efficiency. Furthermore, China has already set goals for carbon peaking and carbon neutrality. China should encourage the EU to recognize these energy and climate policies through negotiations, positioning them as implicit carbon costs to offset a portion of carbon tariffs under the CBAM.”

- [Wei Xudong](#), *Strategic Planning Department, Energy Investment Group*

Thank you for reading!

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If you have any questions, please contact ttp@igdp.cn