



# Taking The Pulse

## Insights on Climate Developments in China

June 2024

---

*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.*

*China's summer heat is coming earlier than in previous years, and climate events are becoming more complicated and extreme. As we hear the countdown toward the end of China's 14th Five Year Plan in 2025, more policies and regulations for energy conservation and carbon reduction are being issued to keep up with national targets.*

*But first, a word about the increasingly tense climate-trade nexus between China, the US and the EU with ongoing climate dialogues and cooperation.*

### **In Focus: International Trade Barriers Getting Higher Despite Progress on Climate Cooperation**

- **Progress on Climate Cooperation and Dialogues**

Following the progress of last year's [Sunnylands Statement](#), China and the U.S. resumed climate talks in May and held the High-Level Event on Subnational Climate Action on May 29-30 in Berkeley, California. Both parties agreed to continue collaborating on local climate initiatives. China's special envoy for climate change, [Liu Zhenmin](#), authored an article reflecting on the historical achievements of U.S.-China climate cooperation and emphasized the importance of fair competition during the low-carbon transition to achieve global climate governance goals in the most efficient way.

In case you missed it: [U.S.-China subnational climate action: a step towards real collaboration](#)

At the Fifth EU-China High-Level Environment and Climate Dialogue held in Brussels in June, Vice Premier [Ding Xuexiang](#) recognized the potential for collaboration between China and the EU on green transition. The Vice Premier said that the EU's trade orientation towards China could be better aligned with its environmental and climate policies and stressed that the EU's countervailing duty on Chinese electric vehicle

companies is an act of trade protectionism that is counterproductive to the EU's own transition and global climate cooperation.

Shortly after, on June 22 the first China-Germany High-Level Dialogue on Climate Change and Green Transition was held in Beijing. The two countries reached [a series of important agreements](#) on key issues such as subnational cooperation on green transition, industrial carbon reduction, energy efficiency and circular economy, and exchanged views on the EU's imposition of countervailing duties on Chinese electric vehicles (EVs).

At Summer Davos, geopolitical tensions and new trends in trade policy were addressed in many sessions over the three days. The message was mixed, with both positive and negative assessments regarding the future of international trade disputes. Premier [Li Qiang](#) emphasized China's commitment to addressing global climate issues and called for the removal of green trade barriers for the global future.

In an increasingly complex international environment, joint efforts to promote climate cooperation and dialogue are commendable. However, it is evident that with Western countries' perception of China's "overcapacity," the numerous trade tensions and disputes, especially in cleantech industries like EVs and photovoltaics, remain a significant issue.

- **Ripple Effects of U.S. Tariff Increases: Tariffs may reduce dependence on Chinese supply chains yet have adverse effects on America's industrial development**

On May 14, following a review of the results of the Trump-era Section 301 investigations, the Biden administration announced a significant increase in tariffs on major Chinese exports, including the "New Trio" (electric vehicles, photovoltaic products, and lithium batteries), with the tariffs on EVs rising from 25 percent to 100 percent.

On May 16, the U.S. initiated new anti-dumping and countervailing duty (AD/CVD) investigations into four Southeast Asian countries that are home to numerous PV factories invested by Chinese companies. This move appears to be an attempt to effectively exclude China's clean energy products from the American market.

Many experts believe that the increased tariffs alone will have a limited impact on China's industries. According to [statistics](#) released by the China Chamber of Commerce for Import and Export of Machinery and Electronic Products, the volume of EVs and photovoltaic cells to the U.S. accounts for only 1% and 0.2%, respectively, of China's total exports of these products in 2023. Therefore, the tariff hikes are unlikely to significantly affect overall export figures. Secretary-general of the China Industrial Association of Power Sources [Wang Zeshen](#) noted, "Due to low production costs, Chinese batteries will remain competitive even with the additional tariffs." He added that the main markets for expanding domestic production capacity are Europe and Southeast Asia. In addition, it's difficult for local industries in the U.S. and Europe to meet rising demand, so in general,

the impact on China's battery industry will be limited in the short term.

From a supply chain perspective, successive U.S. tariff increases may be aimed at reducing reliance on Chinese supply chains. However, this approach poses challenges for both Chinese and American companies and may increase the burden on American consumers. [Yu Xiang](#), nonresident senior fellow at the Center for International Security and Strategy at Tsinghua University, commented, “As tariffs increase sourcing costs, American companies may reevaluate their supply chain strategies or even consider shifting some production to countries with lower tariffs. Such supply chain reorganization may result in companies in China and the U.S. facing higher adjustment costs in the short term. At the same time, tariff increases will directly increase the cost of the affected products, which may be passed on to American consumers, leading to higher prices and thus affecting demand in the U.S. domestic market.”

Taking the EV industry as an example, [Sun Lei](#), senior partner at Beijing Dacheng Law Offices, stated that the higher tariffs would significantly impact American companies like Tesla, which have factories in China, affecting vehicle sales and increasing fixed costs. Regarding photovoltaics, BloombergNEF analyst [Tan Youru](#) pointed out that the reimposition of tariffs on Southeast Asian products would raise the prices of domestic photovoltaic modules in the U.S., thus harming American photovoltaic power station developers, increasing construction costs of U.S. photovoltaic projects, and slowing down the installation rate of photovoltaics.

- **The EU's Internal Conflicts and Hesitations: Policy barriers vs industrial cooperation**

Following the U.S., the EU announced on June 12, just before of the G7 summit, the imposition of provisional anti-subsidy duties on battery electric vehicles (BEV) from several Chinese manufacturers starting July 4, with the possibility of making these duties permanent. This decision has sparked strong reactions from the [Chinese government](#) and the [business sector](#). It has also faced opposition within the EU from countries like [Germany](#) and [Hungary](#), as well as from European car brands such as [BMW](#), [Mercedes-Benz](#), and [Volkswagen](#).

[Bai Ming](#), deputy director of international market research at the Chinese Academy of International Trade and Economic Cooperation, foresees two possible outcomes for the China-EU electric vehicle issue: one as trade friction, with China imposing countermeasures, and the other as the setting of minimum prices and volumes for products imported from China into the EU after negotiations, similar to the [photovoltaic case](#) in 2013.

In addition to the countervailing measures on EVs, new laws and regulations will also impose new requirements on related industries in China. For instance, according to the draft footprint calculation methodology of the new battery regulation, some of the green

policy instruments used in China, such as the Green Electricity Certificate, may no longer be counted in calculations. As a result, Chinese battery manufacturers will face more pressure to reduce the carbon footprint of their products according to an article of [Jiemian News](#). [Wei Ping](#), professor at the Business School of Central South University, pointed out that more and more international trade regulations include the carbon footprint of a product's entire life cycle as a necessary evaluation indicator. Coupled with the green trade barriers implemented by some developed countries and regions with stricter limits on high-carbon products, Chinese goods may lose their competitive edge.

- **China's Challenges and Responses: Companies adjusting strategy, government responding in international arena and strengthening guidance domestically**

Facing an array of protectionist policies, some Chinese companies may find that accelerating their overseas exploration is one of the most direct responses. [Liu Daizong](#), East Asia director of the Institute for Transportation and Development Policy, suggests that amidst trade frictions, Chinese automakers need to globalize their brands to better seize opportunities in foreign markets, mitigate trade risks, and better align with Europe's carbon emission priorities in transportation by offering supportive products.

At the same time, while continuing to oppose trade barriers in the international arena, with the [Ministry of Commerce](#), for example, taking the stance of fighting trade unilateralism and protectionism, the government is also strengthening its guidance to companies through policy measures to meet increasingly stringent international standards for carbon footprint management and disclosure.

On June 4, the Ministry of Ecology and Environment along with 14 other departments issued the "[Implementation Plan for the Establishment of a Carbon Footprint Management System](#)," with the goal of initially establishing the system by 2027.

[Shi Minjun](#), distinguished professor at School of Public Affairs of Zhejiang University, acknowledges that China still faces challenges in carbon footprint management, including insufficient basic data and technical issues in calculating carbon emission factors. He also emphasizes that evaluating product carbon footprints must take into account regional and individual enterprise differences.

- **Trade frictions may further intensify, and the promotion of clean industry may work against common climate goals if it becomes a pretext for protectionism**

[Ke Jing](#), associate researcher at the Shanghai Academy of Social Sciences, opined that tariff increases distort trade flows, leading to a "trade diversion effect." US tariffs will pressure the EU to adopt similar protectionist measures, and as the EU follows, other countries might too, aiming to protect their own industries from trade diversion effects caused by US and EU tariffs on China, harming the global trade order. With [Turkey](#) and

[Brazil](#) raising tariffs on Chinese electric vehicles, and [Canada](#) and [Japan](#) considering similar actions, the ripple effect of protectionism is already underway.

The global development of clean industries is essential to achieving climate goals. However, many Chinese thinkers are arguing that if this becomes a pretext for trade protectionism, it will disrupt market competition and prioritize national over global interests, leading to “lose-lose” economic outcomes and harming sustainable development goals. [Wei Shangjin](#), visiting professor at Fudan University, said the EU and US preference for tariffs on imported products over subsidies for domestic new energy vehicles is partly due to fiscal pressures. He also noted that negotiations on coordinated subsidies and carbon taxes would better support climate governance.

Some experts also expressed a clear common message that more communication and cooperation will be essential for the global energy transition. [Zeng Yuqun](#), founder and chairman of Contemporary Amperex Technology, called for sharing the fruits of labor in regions that contribute either resources, market or technology. [Hu Min](#), director and co-founder of the Institute for Global Decarbonization Progress, offered several suggestions to address the global imbalance in renewable energy investment. She emphasized the need for cooperation to reduce transition costs to benefit underdeveloped regions and advocated strengthening industrial chain links between China and other Global South countries to share the benefits of renewable energy investment.

#### **Sources of the Expert Views Cited in This Newsletter:**

China Daily: [Demonstrating Great Powers' responsibility to Cooperation in Addressing Climate Issues](#)

Xinhua News: [China, EU hold environment, climate dialogue](#)

China Energy News: [The Success and Concerns of the "New Trio" Going Global](#)

Guancha News: [How Will the U.S. Tariff Affect China's Related Industries?](#)

China Business News: [How will Chinese Automakers Deal with Tariffs Imposed by the U.S.?](#)

Caixin Weekly: [Special Edition: Tariff Storm](#)

China Economic Times: [EU Tariff Hikes Can't Stop China's Electric Vehicle Industry from Innovating](#)

Jiemian News: [How Should We Respond to the New EU Carbon Footprint Regulation on Power Battery?](#)

China Environment News: [Building Carbon Footprint Management to Improve International Competitiveness](#)

China Environment News: [How to Deal with the Trade Friction and Global Automobile Supply Chain Chaos Cause by EU's Tariffs?](#)

Jiemian News: [As China Enters a New Era of Carbon Footprint Management, What are the Challenges?](#)

Shanghai Observer: [Protectionism Harms the World! EU Tariff Hikes Bring Trade Diversion Effect](#)

Fudan Financial Review: [How EU Tariffs on Chinese Electric Vehicles Could Affect Global Markets](#)

World Economic Forum: [Not Losing Momentum on the Energy Transition](#)

Dialogue 2049: [Suggestions on Addressing the Global Imbalance in Renewable Energy Investment](#)

#### **Other Topics You May Also Be Interested In:**

- **Climate Change** | [The onset date of the first high temperature period in China is advancing with extreme and compound weather events.](#)
- **Energy Transition** | [Promote China's energy conservation and carbon reduction efforts by cost constraint and price transmission mechanisms.](#)
- **Energy Transition** | [Enhancing energy self-sufficiency in China's central and eastern regions is both essential and achievable for optimizing the energy structure.](#)
- **Carbon Footprint** | [Policy tools like China's Green Electricity Certificate \(GEC\) shouldn't be excluded in the EU's carbon footprint calculations on EV batteries.](#)

**Please visit our website library for English summaries of the highlighted opinions in this newsletter and more:**

<https://www.igdp.cn/taking-the-pulse-library/>

---

**Thank you for reading!**

Issue Author: LI Siyin

Team: HU Min, Kevin MO, YANG Li, Diego Montero, LI Siyin

If you have any questions, please contact [ttp@igdp.cn](mailto:ttp@igdp.cn)