



THE GOVERNANCE OF CLIMATE CHANGE IN THE PIVOTAL DECADE

Evidence from China and Vietnam as key emerging economies

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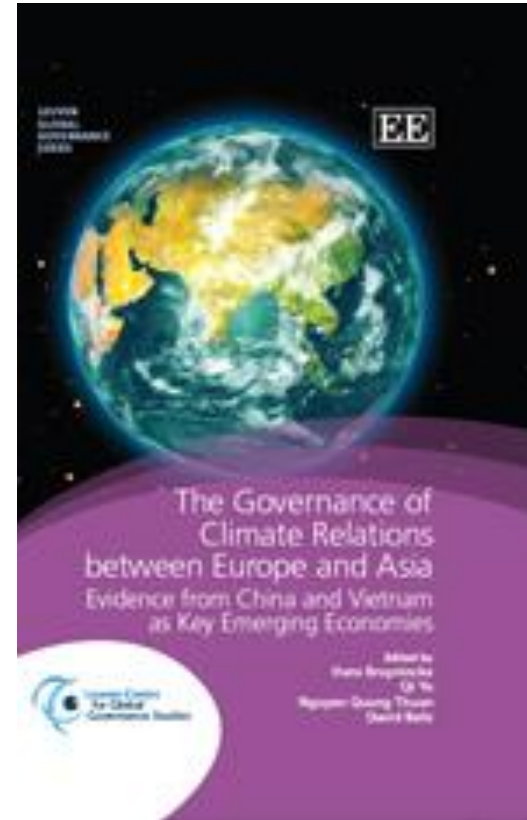
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THE GOVERNANCE OF CLIMATE CHANGE IN THE PIVOTAL DECADE: EVIDENCE FROM CHINA AND VIETNAM AS KEY EMERGING ECONOMIES

- Introduction
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- Key findings: Vietnam
- Conclusion





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Introduction

- ❑ The Governance of Climate Relations between Europe and Asia: Evidence from China and Vietnam as Key Emerging Economies (Edward Elgar, 2013)
- ❑ Editors: Hans Bruyninckx, Qi Ye, Nguyen Quang Thuan and David Belis
- ❑ Collaborative research efforts of 3 teams (University of Leuven, VASS and Tsinghua University), involving 6 Belgian, 3 Chinese and 7 Vietnamese researchers
- ❑ Several joint research projects funded by NAFOSTED, FWO Flanders, and the KU Leuven-Tsinghua Fund

Case selection: China

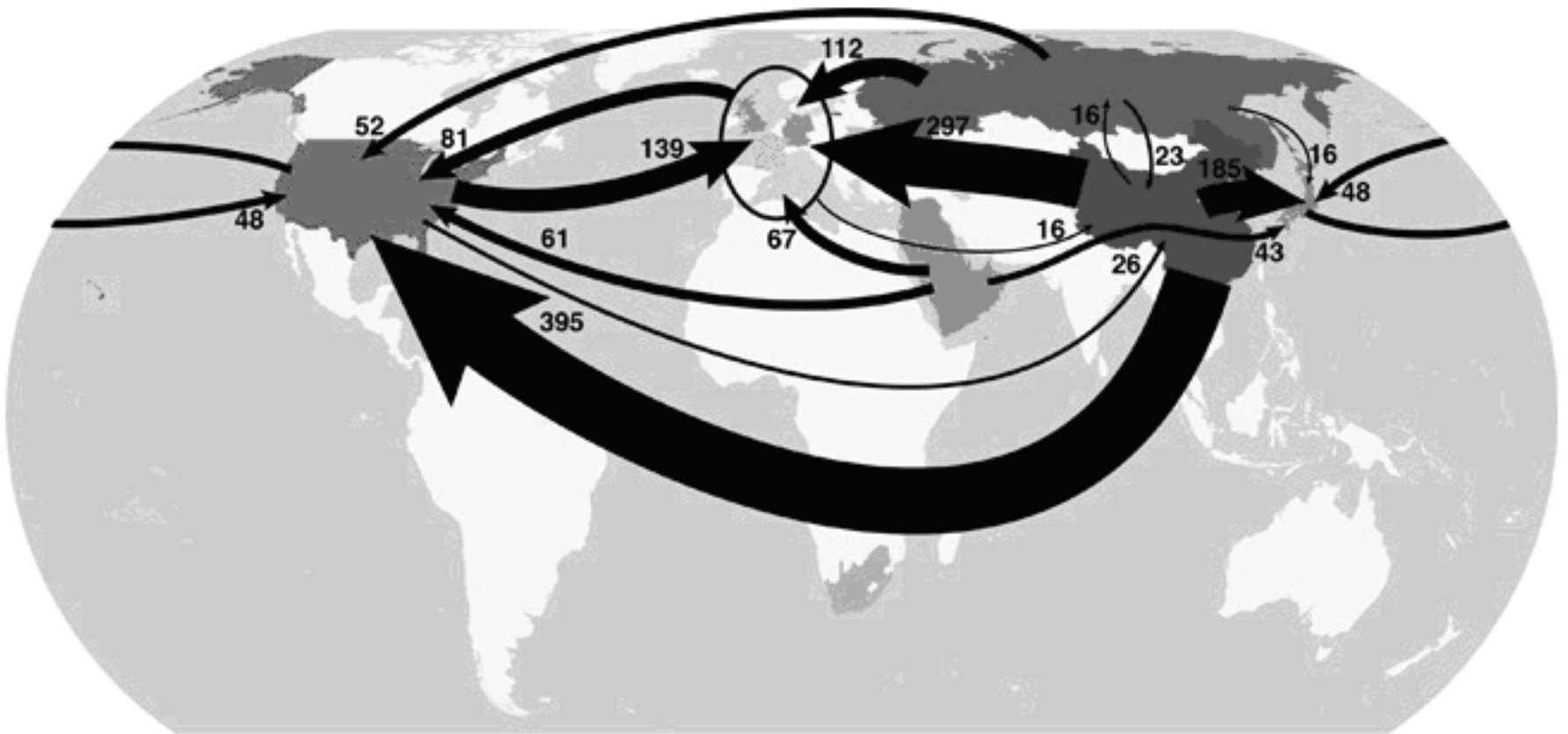
- ❑ Two decades of near-double-digit economic growth
- ❑ In 2010, China became the largest energy user and second largest economy in the world (IEA 2010; IMF 2010)
- ❑ As early as in 2006, China became largest emitter of GHGs worldwide (Netherlands Environmental Assessment Agency 2007).
- ❑ Emerging global economic, political, but also *climate* power (e.g., 2009 Copenhagen summit)

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Export-related GHG emissions (2008)



Source: Davis and Caldeira 2010:5688



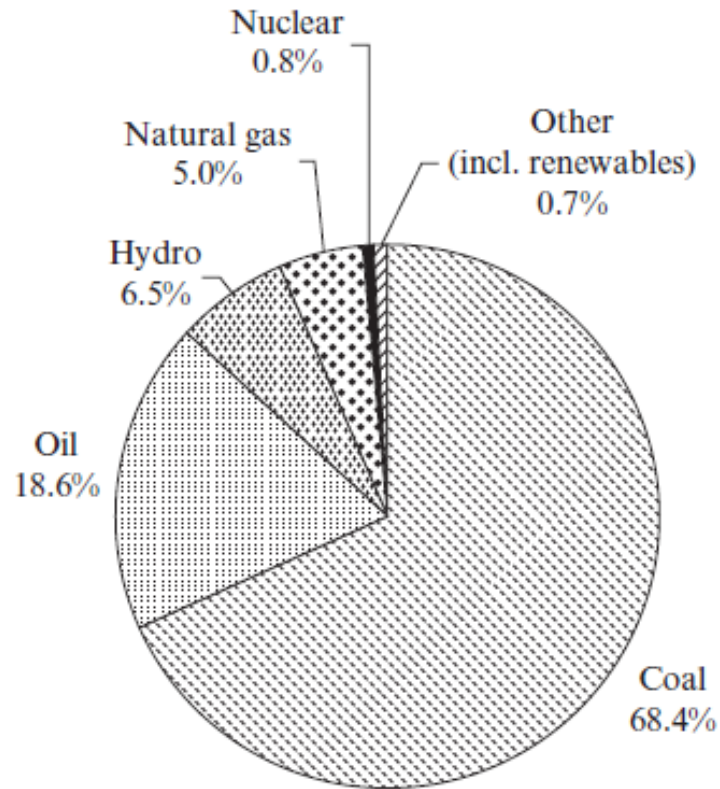
Key findings: China

- ❑ Chapter 2: China, the European Union and global environmental governance: The case of climate change (David Belis and Simon Schunz)
- ❑ Tracking EU-China relations in international talks (UNFCCC)
- ❑ Early years of the climate regime (1992-2001)
- ❑ The road to Copenhagen and beyond (2001-2012)
- ❑ China has assumed a pivotal role in international negotiations, while EU-China partnership is (slowly) emerging

Primary energy consumption by fuel type, 2011

Key findings:

- ❑ Chapter 3 renewable (Sarah Var)
- ❑ China is h other sou
- ❑ Domestic EU) dema
- ❑ Policy cha change cc



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Source: National Bureau of Statistics of China 2012.



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Key findings: China

- ❑ Chapter 4: Cap or tax? Exploring the potential for a carbon tax or emissions trading in China (Kris Bachus and Cao Jing)
- ❑ China is experimenting with emissions trading and energy/fuel taxation
- ❑ Launched 7 pilots, stimulated by EU (financial) support
- ❑ Major obstacles remain: administrative and implementation issues, transparency, absolute/relative caps, ...
- ❑ Perhaps evolving towards a “hybrid” system?



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Key findings: China

- ❑ Chapter 5: The governance of the CDM in China: Achievements and deficiencies (David Belis, Bui Viet Hung and Nguyen Bich Thuan)
- ❑ Achievements: contributed to engage China in international climate change dynamics, delivered a substantial flow of finance towards Chinese industry (including the wind power sector)
- ❑ But also suffers from serious deficiencies in terms of economic, ethical and environmental integrity
- ❑ The CDM either (a) puts a “de facto” cap on developing country emissions or (b) the emission reductions will not be additional



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Key findings: China

- ❑ The CDM either (a) puts a “de facto” cap on developing country emissions or (b) the emission reductions will not be additional
- ❑ Why?
- ❑ Compare the following:
German installation buying from Italian installation -> Italian installation needs to reduce extra emissions

Same German installation buying from Chinese installation -> Chinese installation needs to permanently reduce or avoid emissions - BUT there is no official cap in China
- ❑ Danger of double-counting in the future of the climate regime!



THE GOVERNANCE OF CLIMATE CHANGE IN THE PIVOTAL DECADE: EVIDENCE FROM CHINA AND VIETNAM AS KEY EMERGING ECONOMIES

Key findings: China

- Carbon markets, and the CDM in particular, face a deep crisis due to:
 1. Overallocation and low overall ambition
 2. Very slow progress in international negotiations
 3. Reduced emissions from the global economic crisis (but rebounding quickly)
 4. Ban on post-2012, non-LDC credits in EU ETS (lowers long-term demand for CERs)
 5. Recent boom in CDM project registration

**BOX 12.1 EU–CHINA CLIMATE RELATIONS:
KEY FINDINGS**

1. Far-reaching economic and environmental globalization, China's economic and political rise and the restructuring of the world order; all contribute to the increasingly complex nature of EU–China climate relations.
2. China has assumed a pivotal role in international climate negotiations and the EU–China diplomatic relationship has evolved accordingly, leading to the current 'emerging partnership' on climate change.
3. The development of renewable energy has become a key issue in China, driven by climate change concerns, energy security and market opportunities and positively contributes to EU–China climate relations.
4. Emissions trading, a key policy instrument in the EU, is actively considered in China, in addition or as an alternative to a carbon tax.
5. The CDM contributed to engaging China in global climate governance, but suffers from serious environmental, economic and ethical integrity concerns.
6. Global carbon markets – and the CDM in particular – face a deep crisis due to very slow progress in international climate negotiations, reduced emissions from the global economic crisis, widespread overallocation and the ban on post-2012 CDM credits in the EU ETS.



Key findings: Vietnam

- ❑ Chapter 6: The role and dynamics of the Clean Development Mechanism in EU-Vietnam climate relations (David Belis)
- ❑ The CDM constitutes main channel of bilateral climate action
- ❑ Application of the CDM Design Classification Tool (CDM-DCT) :
 1. Majority of Vietnamese CDM projects (93/105 by Jan. 2012; 225/243 by Jan. 2013) are conducted unilaterally, with the support of a consultancy firm (Supported Unilateral Projects)
 2. European industrial players are participating mainly as CER buyers
 3. Majority (about 90%) of Vietnamese CDM projects are located in the hydropower sector



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Key findings: Vietnam

- ❑ Chapter 7: The Vietnamese regulatory framework for the Clean Development Mechanism (Nguyen Quang Thuan and Tran Thi Thu Huyen)
- ❑ After a slow start (only six projects registered before 2010), CDM project development boomed in Vietnam. Vietnam is now the leading Southeast Asian nation in terms of registered projects and ranks 4th globally
- ❑ This is in no small part due to vast improvements in the Vietnamese regulatory framework for the CDM
- ❑ But challenges remain: lack of data for baseline calculations, difficult access to market information, and a lack of coherence and guidance with regard to different public financial incentives



Key findings: Vietnam

- ❑ Chapter 8: Public-private partnerships in CDM implementation in Vietnam (Dinh Thi Ngoc Bich and Sarah Van Eynde)
- ❑ The CDM can be seen as a form of PPP
- ❑ The mechanism can be improved in terms of accountability, transparency and legitimacy of (local) government participation
- ❑ Local communities have very little to say in the development of projects (e.g. hydropower stations)



Key findings: Vietnam

- ❑ Chapter 9: Opportunities and challenges for Vietnamese enterprises involved in the CDM (Nguyen An Ha and Dang Minh Duc)
- ❑ While there is a lot of potential for GHG mitigation projects (e.g. in the energy and agriculture sectors)...
- ❑ Many obstacles remain for CDM project developers:
 1. Remaining regulatory gaps in the approval process
 2. Lack of data / market information access
 3. Lack of human resources (English!)
 4. Low general climate change awareness in Vietnam

Key findings: Vietnam

- ❑ Chapter 10: Case-study of Vietnamese hydropower projects: shortcomings and barriers (Sarah Van Eynde, Lieven De Smet and Nguyen An Ha)
- ❑ Questionable additionality of up to 90 % of Vietnam's hydropower projects
- ❑ Most projects are already scheduled for implementation in national hydropower development plans -> regardless of CDM!
- ❑ E+/E- rule: 'national and/or sectoral policies or regulations that give comparative advantages to less emissions-intensive technologies over more emissions-intensive technologies (e.g. public subsidies to promote the diffusion of renewable energy or to finance energy efficiency programs) ... that have been implemented since the adoption by the COP of the CDM M&P (decision 17/CP.7, 11 November 2001) *need not be taken into account in developing a baseline scenario*'.

Source: Executive Board 2005, Annex 3, emphasis added.

BOX 12.2 EU-VIETNAM CLIMATE RELATIONS: KEY FINDINGS

1. In the absence of specific bilateral instruments to govern EU-Vietnam climate relations, the CDM constituted the main channel of bilateral climate action.
2. A mapping of CDM design styles using the CDM Design Classification Tool (CDM-DCT) shows that the majority of CDM projects in Vietnam are conducted unilaterally and with the support of a consultancy company, while European players are mainly engaged as CER buyers.
3. After a slow start, CDM project development in Vietnam has grown steadily in recent years, in part due to the establishment of a basically sound – but incomplete – domestic regulatory framework.
4. Vietnam's implementation of the CDM, seen as a form of public-private partnership, can be improved in terms of transparency, accountability and legitimacy of governmental project participants.
5. From a business perspective, several challenges and obstacles remain in CDM project development in Vietnam, notably with regard to remaining regulatory gaps in the approval process, a lack of human resources and access to (public/private) finance, suboptimal data access and low general awareness of climate change mitigation throughout the country.
6. An analysis of Vietnam's hydropower CDM projects, the dominant project type in the country, reveals serious questions regarding the additionality and environmental integrity (including a lack of sustainable development benefits) of up to 90 per cent of these projects.



Conclusion

- ❑ EU-China and EU-Vietnam relations will be increasingly important in future global climate governance
- ❑ Regardless of the outcome of international negotiations
- ❑ EU-China: geopolitical weight of both actors - in terms of both responsibilities and capabilities
- ❑ EU-Vietnam: future climate mitigation and adaptation assistance to middle-income countries set to increase exponentially (forestry, disaster prevention, RE technologies)



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Thank you!

