

China Development Forum 2024

The Continuous Development of China

Thematic Seminar on Carbon Neutrality and Global Climate Governance (Panel Discussion I)

The China Development Forum (CDF) 2024, hosted by the Development Research Centre of the State Council (DRC) and organized by the China Development Research Foundation (CDRF), was held at Diaoyutai State Guesthouse in Beijing from March 24 to 25. On the afternoon of March 24, the Symposium on Carbon Neutrality and Global Climate Governance was held. There were seven panelists in Panel Discussion I, namely LIU Shijin, Chief Advisor, the China Council for International Cooperation on Environment and Development (CCICED); Former Vice President, DRC; Mike Henry, CEO, BHP; Bill Winters, Group Chief Executive, Standard Chartered Bank; YU Bing, General Manager, CHN Energy Investment Group; Bill Anderson, Chairman of the Board of Management & CEO, Bayer AG; Miguel Angel López Borrego, CEO, thyssenkrupp AG; and Christian Mumenthaler, Group CEO, Swiss Re. The seminar was presided over by Gao Shiji, Director-General of the Institute for Resources and Environmental Policy.

LIU Shijin expressed three viewpoints on “being committed to goals, fulfilling responsibilities and accelerating green transformation”. First, the long-term goal of mitigating climate

change and achieving carbon neutrality cannot be shaken or withdrawn. Given that a large amount of manpower, material resources and financial resources have been deeply invested, should the long-term goal be shaken or withdrawn or even abandoned, it would involve not only conceptual issues and values, but also determine whether the relevant countries and even the global economy would move forward or backward, and even whether they would fall into crisis. Therefore, we must maintain our strategic resolve. Second, we should fulfill our responsibilities and improve the incentive mechanism. Different countries have different emission reduction goals at different stages of development and under specific conditions, but they should all proceed from their own reality and perform their responsibilities as soon as possible. China should, based on its own situation, transition, as soon as possible, from assessing the total amount and intensity of energy consumption to assessing the total amount and intensity of carbon emissions. To accelerate this transformation, we should actively create conditions, put forward quantitative carbon reduction goals commensurate with the goals of “carbon peaking and carbon neutrality”, then further break them down into various industries and enterprises, and establish a verifiable and accountable responsibility system. Considering the urgency of the current pressure of emission reduction, universal mandatory emission reduction should be implemented at least in the production sector. Only by establishing a robust quantitative responsibility system can we stimulate strong and lasting emission reduction motivation at all levels (especially enterprises) and improve the efficiency of the carbon market. To speed up the process of “carbon peaking and

carbon neutrality”, technological innovation is the key, while institutional innovation is also very important, which often takes the lead. Third, the growth targets of green and low-carbon industries should be appropriately raised, and the replacement of new technologies and industries should be accelerated. Carbon reduction and growth, which used to conflict with each other, have been transformed into a synergistic and win-win relationship. For developed countries, achieving “carbon peaking and carbon neutrality” through innovation is conducive to gaining new growth momentum. For developing countries, green development is more important, which will promote their economic and social modernization. Developing green and low-carbon industries is the only way to mitigate climate change on a global scale. We must uphold the basic principle of win-win cooperation and stick to diversification and globalization, which is not only necessary to mitigate global climate change, but also meets the long-term interests of sustainable economic and social development of all countries.

Mike Henry noted the important role played by China in the global transition to clean energy and that China is leading in all aspects. In 2023, China’s investment in clean energy increased by 24% year-on-year, reaching US\$676 billion, becoming one of the biggest drivers for the country’s economic development. Successful energy transformation requires innovative, collaborative and regional development strategies. The first strategy is innovation. Only by effectively applying innovation and technology can we achieve lower emissions, energy transformation and green development in the future, while continuously improving the global living standards. The second

strategy is cooperation. The scale and complexity of global decarbonization challenges highlight the importance of cooperation among industry, government and community. Collaboration across value chains has promoted the sharing of professional knowledge among partners, achieving win-win results. Finally, region-specific planning is important. Countries all over the world are striving to achieve net zero emissions according to their own schedules. Companies with financial resources, technology and operational capabilities to meet the growth demand in a sustainable way will win the future.

Bill Winters believed that China, having offered huge investment opportunities in sustainable supply chains, sets an example for other countries in the world in the development of electric vehicles, lithium batteries and other fields. Financing should play an important role, and the banking industry should shoulder relevant responsibilities in the process of achieving carbon neutrality. Winters expressed three views on how to better achieve the goal of carbon neutrality. The first view was to build a unified discourse system of sustainable development goals. The second was to build a global carbon market with unified standards. The third was to deeply understand the carbon footprints and carbon intensity of the entire supply chain. If these problems were not addressed, the sustainable development of enterprises would face such challenges as carbon tax and carbon border adjustment mechanism. The funds invested in this field need to pool the strength of both the public sector and the private sector. In addition, to achieve carbon neutrality, not only should sufficient transparent standards be set for the verification of carbon footprints

but also relevant measurement tools should be made available.

YU Bing held that China is speeding up the construction of a new energy system and a new power system and promoting the green and low-carbon transformation of traditional energy. In the next step, we should first promote the high-quality development of greener energy and create a new structure of the energy industry. One of the signs of achieving carbon neutrality is that clean energy plays a leading role in the energy structure. All countries should be based on their own national conditions, adjust measures to local conditions, establish the new before abolishing the old, fully leverage the complementary advantages of clean energy and traditional fossil energy. We should steadily and orderly promote the green and low-carbon transformation of industrial structure, energy structure and transportation structure, vigorously develop clean and renewable energy, continuously promote the clean and efficient utilization of fossil energy, and improve energy utilization efficiency. Second, we should promote newer high-quality development and create new productive forces in the energy sector. China's new energy power generation technologies are currently in the first echelon in the world, and breakthroughs have been continuously made in large-scale zero-carbon and negative-carbon cutting-edge technologies such as energy storage, hydrogen energy, CCUS and CCS, contributing over 70% of photovoltaic modules and 60% of wind power equipment to the world. It is necessary to promote new formats with new technologies, focus on cutting-edge leading technologies and subversive technological innovations, actively cultivate industrial chains such as new energy vehicles, lithium batteries, smart grids, hydrogen energy, ammonia energy and CCUS, and promote the

research and development and application of a new generation of nuclear energy technologies. Third, we should promote high-quality development with lower carbon content and create a new mechanism for carbon market management. As China's carbon market becomes the largest in the world, we should highlight the accountability system, further expand the coverage of the carbon market industry, strengthen the constraints of the carbon market, establish a carbon footprint management system, and improve the ability to verify carbon emission statistics; we should highlight marketization, promote the construction of a unified national market, or even a unified global standard market, improve the carbon pricing mechanism, establish green financial policies, financing tools and financial products compatible with the market, and promote the interconnection and two-way adjustment of the voluntary emission reduction mechanism and the carbon emissions rights market; and we should highlight connectivity, establish a carbon cost transmission mechanism, strengthen the trading of carbon emission quotas, and promote the orderly connection between the green certificate of power market and the carbon market.

Bill Anderson noted that agriculture and food processing industries, as not only the biggest contributors to greenhouse gases but also the biggest solution providers, can make their due contributions to carbon neutrality. He introduced Bayer's three innovative cases concerning carbon reduction. The first case is a new short-stalk corn variety introduced this spring, which has improved the ability of corn to resist pests and diseases and reduced carbon dioxide emissions without crop rotation. The second case is the application of new technologies to save water resources and labor and reduce methane emissions in the light of

some links that consume much manpower and emit a lot of methane in the traditional rice planting process. The third case is the use of relevant technologies to apply rapeseed in bio-oil production to reduce the supply of nitrogen in soil, which technology can also be used for soybean planting. Anderson also said that in the future field of sustainable agriculture, farmers can sell their own carbon products, which will help mitigate global climate change.

Miguel Angel López Borrego voiced his views on how to reduce carbon in the industrial sector. He noted that without further actions the long-term goals of the Paris Agreement would not be accomplished, and that green transformation is not an option but an inevitable and necessary decision, in which industrial emission reduction will play a key role as an important lever to significantly reduce greenhouse gas emissions. An industrial enterprise should go all out to develop climate-friendly technologies, be devoted to green transformation, and pioneer in green transformation. His company regards climate-friendly technology as an important measure for an enterprise to boost green development, and helps enterprises to accelerate low-carbon transformation by integrating key technologies and defining key business areas. Borrego also noted that cooperation between enterprises and the government is of great significance for carbon reduction in the industrial sector; that strengthening cooperation among different stakeholders is crucial to the success of green transformation; and that establishing an alliance is the most reliable way to promote the implementation of large-scale decarbonization projects and boost the confidence of all parties. He believed that more opportunities in the green transformation will arise through brave actions and accelerated

pace of carbon reduction and with the joint promotion of technological innovation and multi-party cooperation.

Christian Mumenthaler noted that enterprises cooperate with customers and other stakeholders to cope with the challenges faced by human society in more ways to enhance their capabilities and promote dialogue. To achieve the goal of temperature control in response to climate change calls for not only the efforts of the public sector, but also the participation and efforts of more sectors, among which the corporate sector will play a very important role in this process. In the next two or three years, for enterprises striving to achieve net zero emissions, their upstream and downstream suppliers should also achieve the same goal. Only when the problem of emission reduction in the supply chain is addressed will enterprises be enabled to truly achieve carbon neutrality. It should be pointed out that to promote the positive role of the supply chain in the industrial chain in carbon neutrality, downstream product manufacturers should also provide support for upstream suppliers to reduce carbon, and therefore establishing corresponding compensation mechanisms can be considered.

(Written by Du Yueying, and reviewed by Yang Liangmin, China Development Press)

--Background Information--

Under the mandate 'Engaging with the world for common prosperity', China Development Forum (CDF) serves as an important platform for Chinese government to carry out candid exchanges and discussions with leaders of global businesses and international organizations as well as foreign and Chinese scholars. Initiated in 2000, CDF has made remarkable contributions for the policy exchange and international collaborations between China and the world.

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