

News digest

The big environmental stories in the Chinese media (16 - 22 April)

China and the US re-engage on climate

To general relief, China and the US have put aside their differences in almost every other area of engagement to renew a shared commitment on climate change.

In a [joint statement](#) last Saturday, the two largest emitters and economies “committed to cooperating with each other and with other countries to tackle the climate crisis.”

After years of deteriorating US–China relations and a total breakdown of the “G2” climate partnership established in the Obama era, the joint statement was [received positively](#) by observers.

Then, speaking this Thursday at the US-organised [Leaders’ Summit on Climate](#), President Xi [said](#) China will “strictly control coal power projects, strictly control the growth in coal consumption over the 14th Five Year Plan period, and reduce consumption over the 15th Five Year Plan period.” He re-confirmed, but did not update, China’s current carbon emission targets of peaking by 2030 and reaching neutrality by 2060.

Those [expecting China to signal](#) higher climate ambition by limiting financing for overseas coal power plants were not satisfied by the speech or the joint statement.

Xi’s speech and the US–China re-engagement weren’t the only acts in last week’s climate diplomacy drama. China, in fact, seemed keen to stress that climate action does not revolve solely around US initiative. Last Friday, Xi held a call with German and French leaders Angela Merkel and Emmanuel Macron

in which the three sides agreed to enhance cooperation on climate and biodiversity. Xi made the surprise announcement that China will ratify the Kigali Amendment, a 2016 amendment to the Montreal Protocol designed to reduce the production and consumption of damaging hydrofluorocarbons.

The trilateral call was not without tension, though. Xi commented that “responding to climate change... should not become a geopolitical bargaining chip, a target for attacks on other countries or an excuse for trade barriers” – a clear signal of disapproval at the EU’s ideas for a “carbon border adjustment mechanism”.

The comment followed similar objections expressed at a climate ministerial meeting among BASIC countries (Brazil, South Africa, India and China) a few days earlier, where [a joint statement](#) expressed “grave concern regarding the proposal for introducing trade barriers, such as unilateral carbon border adjustment, that are discriminatory and against the principles of Equity and Common but Differentiated Responsibility.”

Read more on the whirlwind of climate diplomacy surrounding the Leaders’ Summit on Climate [here](#).

New green bond catalogue adopts Do No Significant Harm principle

[The 2021 Green Bond Catalogue](#), finally released on Wednesday, excludes the phrase “clean coal use”.

The catalogue is an update of the 2015 version, and will take effect on 1 July.

According to [a Q&A prepared by the People’s Bank of China](#), the exclusion of “clean coal” is for the catalogue to “better align with international standards”.

Compared with last year's consultation drafts, the new document takes out shale oil and tar sand exploitation, while adding "clean hydrogen production". It also provides far more detailed explanations of each category and makes it easier for issuers to vet bond products.

The Q&A says the new catalogue has [adopted the "do no significant harm" \(DNSH\) principle](#), to reflect more strict decarbonisation requirements in China. The principle is designed to ensure actions to achieve one environmental goal do not hit progress towards others. Though the application of the principle is implicit, explicit DNSH language is used on items including large scale hydro projects and utilisation of marine energy.

Coal hasn't disappeared entirely from the catalogue. It allows for green bonds to be issued for industrial desulfurization, denitrification and dust removal for coal-fired facilities. Natural gas, another fossil fuel, still figures prominently, including the construction of natural gas pipelines and storages, and LNG terminals.

The Q&A's closing paragraph addresses the transition question of the fossil fuel industry. It says the clean production and use of fossil fuels including coal is still important for the "high-quality economic development" of the country at the current phase, and that therefore the central bank is studying standards for transition finance to ensure carbon peaking and neutrality can be reached smoothly.

On the same day, the European Commission published the first batch of its long-awaited Taxonomy defining what investments can be considered sustainable. Natural gas and nuclear power, both included in China's new Green Bond Catalogue, are not included, though that may [be subject to change](#).

Read China Dialogue's [earlier coverage](#) on China's green bond catalogue revisions.

