

**On the way to the COP 15
(Copenhagen, December 2009) :**

**Birth of a new
Climate change policy in China**

**A study by
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On the subject's relevance

“Green” is a leitmotiv in 2009 global politics - especially when it comes to China, the world's first emitter of greenhouse gases and the most crucial player at the COP15, the country that will make the success or the failure of the world gathering at Copenhagen in December.

Still, despite the impressive number of material published on the environmental issue (at large), trying to summarize or analyze the issue, the great bulk of it focuses only on a limited range of commercial or technical aspects. However, now more than ever, this playing field is undergoing deep structural changes, which result from

- the physical progresses of global warming,
- the growing awareness of its threats among the global opinion,
- the – political- governments reactions.

In every country, climate change and carbon trading regulations are politically sensitive: in China, probably even more so, due to the dire levels already reached by air and water pollution on its territory. China is now busy secretly reviewing its options and defining its strategy to be presented to the world's nations in Copenhagen in December.

We, at **China Trade Winds**, believe that this new Chinese approach is going to make a U-turn and take the world by surprise. The study that we are currently drafting on the field aims at minimizing the surprise effect for the companies that will invest in it, thanks to our foremost analysis of the components and agents of change within the Chinese regime and its novel strategy against climate change.

By early July 2009, well ahead of the Copenhagen gathering, we will deliver a product that sketches:

- The political and law mechanisms, organs, personalities involved in the Climate Change policy ;
- China's national interests and the links between national, ministerial and local interest groups ;
- our speculation on China's negotiating ticket at Copenhagen, and the factors behind its growing confidence (its new capacity to shoulder a part of the world's burden)

Engaging China: sure, but how?

Since 1997 in Kyoto, world leaders, national and international experts are engaging China on this key topic.

Negotiations on a post-2012-agreement on climate change are promising to be tough. Generally speaking, China embarked on the Kyoto-deal with an observer status, allowing it to access the benefits of the Clean Development Mechanism (CDM), measured in billions of dollars, without committing itself to compulsory reduction of greenhouse gases emissions. Now, all signatory blocks and countries having signed in for such commitment expect China to do its part – or face sanctions and dire disruptions of this yet fragile system. Until February last, Beijing was still insisting that it was not ready, and that such premature expectations from the world would definitely not be on the table in Copenhagen in December.

Now, several new elements seem to set in, while Beijing studiously observes silence. On its claim however, it is fair to remind that Kyoto's rules, devised without much dialogue with China, tend to reflect more the developed countries' interests than those of emerging countries, in particular concerning technology transfer – the key to any agreement with China. Focusing on the new engagement tactics and initiatives of both US and EU may help us to shed a light on the chances to witness changes in Copenhagen, in North-South climate change cooperation.

International negotiations: unveiling China's strategy toward COP15

In appearance, China enters these COP15 negotiations as any other of the 130 nations involved, putting forward requests and proposals, playing its national interest's game.

Still, its strategy is remarkable in some aspects. Its delegations to the preparatory meetings are an odd combination of envoys from the Ministry of Foreign Affairs (which holds the role of the *sherpa*, definer of the national position), high-level technocrats from NDRC (the national economic policy agency) and a number of experts and outsiders, influent academics and scientists. On all decisive fronts, China maintains a deep shroud of secrecy, partly out of strategic considerations, in order to keep its bargaining leeway, but also and most probably because of conflicts of interests between the lobbies,

provinces and ministries involved. Our study aims at building on our comprehensive knowledge of Chinese political culture to assess China's choices and evaluate its proposals for a new climate agreement and technology transfer arrangement. China's multilateral strategy will be thoroughly covered, including the use of different related bodies (UNFCCC, G77...) as a vehicle to promote its interests.

Chinese politics about climate change: are the Reds turning Green?

As long as there was neither political power nor investments transferred to its administrative agencies, Climate change and environment matters used to be of the ecumenical genre, not dividing and not influencing the Chinese leadership. However, the rapid deterioration of the Chinese landscape and the subsequent fall down of the public health led politicians at the highest level to grant increasing importance to environment, and eventually seriously consider the nation's entry to a world binding agreement on emissions reduction. However, especially at provincial level, most administrations yet fail to admit the corollary that their volume and low cost production chain would suffer to start with, on profits and on job availability. Within our study, we are reviewing the profile of some of the most influential politicians and academics. We research the impacts of the recent administrations reshuffling, cover the divergence in opinion between 'politicians' and 'scientists' and suggest some alliances and struggles between factions as an additional frame of reference.

A major determinant of the future of carbon trading in China: the political factor

With more than 500 UN-approved CDM projects, China holds a third of world total, and in term of settled deals, one half of the market is in Beijing. Considering the very young age of this market and the fast change in climate change awareness among the Chinese leadership (CDM had its – difficult - debut in 2006, amidst staunch resistance), this development is significant. It is predicted to keep growing in the years to come, due to the strong world demand and the sudden understanding among the authorities of the golden opportunity at hands. In this perspective, our work will go down to grassroots level

and analyze several provinces' interests, position, ideology and opinion about new forms of carbon trading, check the influence of these local CDMs on current policy building.

Carbon trading market in China - towards a low carbon economy

At present, China has built three climate exchanges, or carbon trading markets in Beijing, Tianjin and Shanghai. However, CO² still accounts for a small part in the daily trade, compared with SO² and other polluting emissions. By and large, the carbon trading market in China is still free wheeling at wild competition stage, suffering from an insufficient regulatory and legal framework. In this section, we will describe the Chinese mechanism of carbon trading market – tools, framework, financial results, its liabilities, and the possible next moves by the regulators to cope with. As well as the likely future moves in order to link these creations to the internationally established climate exchanges: in view of becoming a world power in the sector, and a worthy towards a China with low carbon economy

More than a 'must-have' : a smart purchase

We at China Trade Winds believe that no economic venture worldwide will remain unaffected by the forthcoming multinational agreement on climate change. There will be a “before” and an “after” COP15, concerning the pricing of any raw material, energy, goods and even services. There will be an upsurge of profits and bankruptcies linked to an early understanding of this emerging new trend, its new mechanisms and rules of the game – the war against time and global warming. In this game, the new, emerging factor will be China, which will take only a breathtaking instant to impose itself in this new role.

To the most perspicacious, our study will prove to be a definitive, trend-setting platform to foresee the Chinese position, the chances of success of Copenhagen, and get prepared. Consequently, to your firm, our study will not only be a sensible collection of facts, portraits and analysis, nor simply a solid set of documentation: it should be the authoritative guide to anyone hoping to master the future 'low-carbon' Chinese economy.

Beijing, May 13th, 2009

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