

## **EU-China 2015: Elements for Joint Action on Green Growth**

Briefing Note, March 2015

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### **1. Introduction and Context**

Europe and China have strongly grown their bilateral cooperation on energy and climate change issues over the last decade. However, growth in formal processes has been outpaced by increased EU-China trade in low carbon goods driven by both domestic policies and rises in global oil prices. Increased trade and investment has brought benefits to both sides in terms of lower prices, greater energy security, faster technology development and growing export opportunities. It has also brought trade tensions and concerns over fair competition.

Marking the 40<sup>th</sup> Anniversary of EU-China relations, and coming in advance of agreement of new global Sustainable Development Goals and the critical Paris Climate Summit in December 2015, the 2015 EU-China Summit represents a vital opportunity to align European and Chinese interests on the green and low carbon economy.

**The 2015 EU-China Summit could send a clear signal of shared ambition for the Paris climate agreement, including a commitment to credible and transparent global rules.**

**This political alignment could be supported by concrete actions to maximise the synergies between the European and Chinese economies in accelerating the delivery green and low carbon growth.**

The EU-China Summit in the first half of 2015, and the High Level Economic Dialogue (HLED) process following it, presents an opportunity to strengthen bilateral co-operation to effectively manage this shifting environment; minimising risks and maximising opportunities.

Based on E3G and Chatham House's research paper, "Enhancing Strategic Engagement between China and the EU on Resource Governance and Low-Carbon Development" and extensive discussions with Chinese and European researchers, think tanks and officials, we have developed a menu of proposals for enhanced EU-China co-operation on green growth.

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Below we outline some specific proposals which could be agreed at the EU-China Summit and implemented through the HLED and other existing partnerships to achieve these goals.

## **2. Proposed Elements for the EU-China Cooperation**

### **Rationale and Overall Aims of Cooperation**

The EU and China face significant and similar challenges to economic growth and stability from their increasing reliance on imports of fossil fuels from unstable regions, exposure to the impacts of climate change, increasingly volatile international commodity markets, and domestic environmental pollution and resource degradation. These pressures will increase over the coming decades.

These pressures can only be successfully addressed through increased bi-lateral and multi-lateral co-operation that prioritises actions on common interests. There are strong benefits for both China and the EU from enhanced co-operation to underpin the development of a sustainable, prosperous and secure economy and society, and creating a stable rules-based multilateral system.

China is undertaking a wide range of ambitious domestic economic reforms covering sectors such as urbanisation, energy, pollution control and finance. The EU is undertaking domestic market reforms with the aim of creating Capital Market Union and Energy Union, both of which have external and internal aspects. China and Europe have recently agreed ambitious objectives for limiting greenhouse gas emissions and increasing clean energy use by 2030.

China and the EU should agree to significantly increase co-operation in accelerating their mutual progress on green growth and moving towards low carbon, resource efficient and resilient economies. This will include continued market integration, policy co-ordination and consultation and stronger practical cooperation on regulation and technology development.

**The overall aim of enhanced cooperation should be to create an “EU-China Green Growth Area” by maximising the potential for growing integrated markets for green goods, services and investments by 2020.**

### **1. Building Common Approaches to Climate Change and Energy Security**

- In the context of deepening areas of agreement in the year of the 2015 Paris Climate Summit establish a joint EU-China working group on climate change governance looking at the forward development of the international climate regime. This would include sharing and co-development of analysis of future climate scenarios and impacts and

discussion of the future role of the UNFCCC, international development institutions (including the new “BRICS Bank”), the G20, disaster response and humanitarian systems.

- Agree to elevate the current official-level Energy Security Dialogue to Ministerial level in to facilitate discussion of forward policy development in the context of the EU’s new Energy Union and China’s 13<sup>th</sup> Five Year Plan. This dialogue - which could form part of the HLED - would agree to focus on creating a ‘consumer alliance’ (instead of the conventional supplier-focused approach) and explore options for strengthening international rules governing trade and investment in natural resources, energy and raw materials in order to identify opportunities to improve the function of markets, reduce price volatility and reduce environmental impacts<sup>2</sup>. This process will also cover government support to resource trade and investment through export guarantees, public banks etc<sup>3</sup>. In addition, the dialogue could focus on internal energy reforms in the EU and China, especially the role of renewables and smart infrastructure over fuels.

## 2. Maximising Mutual Benefits from Enhanced Market Opportunities

Building on the principles and priorities contained in the 2006 Memorandum of Understanding establishing an EU-China Task Force for Sustainable Trade, agree to intensify cooperation so as to maximise mutual benefits for sustainable development from enhanced trade and investment:

- Agree to maintain, and consider lowering, current levels of Chinese and EU applied tariffs on a mutually-agreed list of low carbon and environmental goods and services, and to work together pursue further liberalisation through APEC and WTO processes.
- Recognise that the legitimate and continuing role of proportionate government support in promoting green growth must be balanced with the need to avoid barriers to trade. Agree to work pro-actively through a new working group on Green Growth under the High-Level Economic and Trade Dialogue to avoid unnecessary trade disputes in these fast-growing sectors by strengthening “early warning” and other mechanisms for bilateral dialogue in advance of initiating formal WTO procedures on anti-dumping and subsidies<sup>4</sup>. This would include working to enhance mutual transparency of direct and indirect subsidies and support mechanisms, and the advance sharing of economic and industrial plans and policies, in low carbon and environmental sectors<sup>5</sup>.

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<sup>2</sup> This reflects elements of the EU objectives under TTIP on raw materials and energy [http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc\\_151624.pdf](http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151624.pdf)

<sup>3</sup> This would build on recent European and Chinese action to apply environmental guidelines to overseas investments through public and private sector banks.

<sup>4</sup> For extent of EU trade disputes in green sectors see <http://www.kommers.se/Documents/dokumentarkiv/publikationer/2013/rapporter/Targeting-the-environment.pdf>

<sup>5</sup> Reflects provisions on horizontal approaches to regulation and enhanced transparency put forward by the EU in TTIP negotiations [http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc\\_151622.pdf](http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151622.pdf)

- Agree to prioritise “early harvest” of investment and services liberalisation in low carbon and environment sectors, inside the EU-China Investment Agreement negotiations<sup>6</sup>. This process will prioritise areas relevant to green urbanisation, including, urban design services, environmental services, infrastructure, construction, professional services and industrial supply chains
- Agree to identify a range of priority environmental and low carbon sectors for reciprocal public procurement liberalisation, and to develop stronger facilitation procedures to ensure these opportunities are more easily accessible by companies, especially SMEs<sup>7</sup>.

### 3. Building Stronger EU-China Cooperation on Urbanisation and Green Growth

- Strengthen and enhance the impact of the EU-China Urbanisation Platform in helping support China’s internal reforms and mutual economic integration. The Platform should promote and facilitate the setting up of EU-China “Low Carbon Zones”.<sup>8</sup> Create time-limited senior-level task forces to outline the strategic context for long-term cooperation and co-develop reform proposals based on best practice in China and the EU, including lessons from existing city level partnerships, in priority areas such as: urban governance and planning; smart and resilient infrastructure regulation; accelerated deployment of “near zero energy buildings” in China; decentralised green financing solutions; and, climate risk management, insurance and adaptation. The outcome of these task forces would inform priorities in other areas of practical cooperation such as technology collaboration and joint standards development
- Establish effective mechanisms to link concrete cooperation on the ground, including city level partnerships, with strategic cooperation on energy, trade and investment, as well as finance. This would include a coordination mechanism between not only EU and China but also EU and Member States/EU institutions e.g. the European Investment Bank.
- Agree to establish an EU-China Green Growth Forum. The Forum would convene government and non-governmental stakeholders (including businesses, thinktanks, academics and civil society) from China and Europe to deepen mutual understanding of the green growth process, and identify opportunities for enhance practical EU-China collaboration. Activities would include:

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<sup>6</sup> This reflects current EU negotiating positions under TTIP Sustainable Development Chapter  
[http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc\\_151626.pdf](http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151626.pdf)

<sup>7</sup> This is analogous to priority EU objectives inside the TTIP negotiations  
[http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc\\_151623.pdf](http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151623.pdf)

<sup>8</sup> For the concept of Low Carbon Zones (LCZs), please see ‘*Changing Climates: Interdependencies on Energy and Climate Security for China and Europe*’ (2007), Chatham House. Available:  
[http://www.e3g.org/docs/ChangingClimates\\_All\\_%28Eng%29.pdf](http://www.e3g.org/docs/ChangingClimates_All_%28Eng%29.pdf)

- Examining how to better align the ambition and focus on Green Growth issues of the Chinese 13<sup>th</sup> Five Year plan, the EU 2020 Resource Efficiency Plan, 2030 Energy and Climate Package and Energy Union.
- Co- developing new approaches to domestic “green” and low carbon finance instruments and institutions in order to accelerate the shift of public and private investment towards efficient, clean and low carbon investment. Maximising the value of European and Member State public financial institutions (EIB, EBRD, KfW, GIB, AFD etc) in supporting the reform and modernisation of the Chinese financial system.
- Work to improve, align and ensure better compatibility of low carbon and green regulation aiming for upwards harmonisation, mutual recognition and joint development of dynamic standards in key low carbon and environmental product areas. Agree to prioritise collaboration over on building standards, electrical appliances, car emission performance, alternative fuels and electric vehicle systems.
- Collaboration in sharing approaches to reducing domestic environmentally damaging subsidies in ways that appropriately manage social and economic transitions.