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COUNTRY PROFILE: China

APPEALS PANEL ACTION: ADDITIONAL INFORMATION  
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## GENERAL OBSERVATIONS

A more public and general perception that China is taking steps to address climate change would be a clear indication that key developing countries are meaningfully participating in the global climate effort (which the President has called essential for Congressional ratification of Kyoto agreement). As the second largest and fastest growing emitter of greenhouse gases, especially from the overwhelming use of high-sulfur coal, efforts to address these greenhouse gas emissions are critical.

[REDACTED]

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[REDACTED] it has made significant progress in reducing the potential growth of its domestic greenhouse gas emissions. Market reforms and government environmental policies have produced increases in economic productivity at twice the rate of energy consumption growth in the 1990s. The current Five-Year Plan aims to continue this trend, with a target of five percent annual energy efficiency increases. China has declared that it will cooperate with the U.S. to protect the environment; we have a number of bilateral structures in place with regard to the latter. New initiatives are underway to assist China to develop efficient, cost effective and "clean" energies.

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Unfortunately, the Chinese position toward issues under consideration in the UNFCCC has changed little since COP-3 at Kyoto. Citing its need for economic development, [REDACTED]

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[REDACTED] China, along with India and many other G-77 countries, opposed at Kyoto binding emissions limits and other steps for developing countries vis-a-vis climate change. China also voiced strong reservations to emissions trading and JI among Annex I Parties, although both concepts became part of the Protocol. China was against JI with credit for developing countries but agreed to the Clean Development Mechanism (CDM) crafted by the U.S. and Brazil.

[REDACTED]

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Technology transfer (or the lack thereof) is a very important consideration for developing countries regarding climate change, and China is no exception. Amplification of the CDM's potential in this regard might be one useful approach. Moreover, China will expect us to bring new resources to the table to demonstrate our commitment to their involvement in the climate change issue.

[REDACTED]

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UNITED STATES DEPARTMENT OF STATE

REVIEW AUTHORITY: ALAN H FLANIGAN

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05/05/98 5:39 PM

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2

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China's government is currently undergoing substantial restructuring, and the resulting realignment of authority and responsibility among ministries remains unclear, even to mid-level Chinese officials. As a result, Chinese ministries are unlikely to be very forthcoming until the realignment is clarified.

The decentralization of political authority in China also hinders the effectiveness of our efforts to work with the national government to reduce GHG emissions growth. Provincial and, to a lesser extent, municipal and rural governments control much of the decision-making on infrastructure development, which is so critical to controlling China's emissions growth. Though larger power plant projects must be approved by the central government, smaller, less efficient power plant projects are controlled by provincial governments. Provincial and local governments also have enforcement authority for most environmental laws and energy efficiency standards. In many cases, the township and village enterprises which have fueled much of China's economic growth are both regulated and owned by the same local government, creating perverse incentives for lax enforcement of environmental regulations.

#### POSSIBLE AREAS FOR MEANINGFUL PARTICIPATION

- Limit long-term emissions growth relative to business as usual baseline.
- Implement minimum energy efficiency standards and possibly adopt binding energy efficiency commitments, with the recognition that this is not likely to occur prior to COP-4.
- Employ clean coal, highly efficient technologies in new energy projects.
- Participate in the Clean Development Mechanism (CDM).
- Participate in the Technology Cooperation Agreement (TCA).
- Complete a national action plan on mitigation and adaptation to fulfill UNFCCC commitment to develop a national communication.

#### KEY PLAYERS

- President Jiang Zemin
- Premier Zhu Rongji
- Minister of Foreign Affairs Tang Jiaxuan
- State Planning and Development Commission
- State Environmental Protection Administration
- Ministry of Science and Technology
- SSTC - Song Jian, Gan Shijun
- Chinese ambassador to Washington Li Zhaoxing.

and is familiar with the climate change issue. U/S Eizenstat has discussed climate change with Ambassador Li.

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#### AVENUES OF INFLUENCE

##### High Level Visits

- President's State Visit to China (June)
- Vice President's Environment and Development Forum (TBD) (Washington)

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09/11/98 12:58 PM

DRAFT  
CONFIDENTIAL

3

- U.S.-China Energy & Environment Initiative Implementation Meetings in Washington (Vice Minister level) (May 11-13)
- U/S Pickering Visit to China (April 10-11)
- Commerce U/S Aaron Visit to China (Mid-April)
- NRC Chairman Jackson Visit to China (April 19-21)
- Water Vice Minister Zhang Visit (April 19-26)
- Secretary's visit to China (April 29-30)
- Qu Geping (NPC Environmental Protection Commission) visit (April)
- CEQ McGinty/Sandalow Visit (May)
- CEA Chair Janet Yellen's Visit to China (May)
- President Jiang Zemin's Visit to Japan (September 5-9)

**USG Activities****USAID**

- Congressional sanctions prohibit USAID activities in China, however, the U.S.-Asia Environmental Partnership supports environmental technology cooperation in Hong Kong.

**USDOE**

- U.S.-China Bilateral Energy Consultations.
- U.S.-China Forum on Environment and Development.
- Rural Electrification Agreement-pilot projects featuring renewable energy.
- Energy Efficiency Steering Committee
- Electric Vehicle and Hybrid Vehicle Development-new annex between DOE and SSTC signed November, 1997.
- High energy physics cooperative research.
- Joint research analysis in coal liquefaction, combustion and gasification.
- Support for development of commercial projects using advance power generation, air pollution control technology, co-generation, coal preparation, and other projects.
- Education programs for technology and financing.
- U.S.-China Energy and Environment Cooperative Initiative (interagency).
- Nuclear physics and controlled magnetic fusion - Fusion Working Group in place.

**USEPA**

- Technical support for development of national action plans (proposed).
- Technical assistance to improve the energy efficiency of lighting, air conditioning, and residential refrigerators.
- Seminar for municipalities on the ghg co-benefits of safe waste management (proposed).
- Technical support for GHG mitigation:
  - Landfill methane project
  - Ruminant Livestock methane (with UNDP)
  - Coal bed methane project (with UNDP)

CONFIDENTIAL  
DRAFT

09/11/98 12:58 PM

DRAFT  
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4

- Voluntary programs
- Industrial energy efficiency study
- Mobile sources (proposed)
- SO<sub>2</sub> emissions trading policy support (proposed)
- Technology cooperation:
  - US-China Center for Energy and Environment Technology
  - Wind Energy Assessment Project
  - Energy Efficient Building Demonstration in Hong Kong
  - Pilot technology cooperation agreement
- Proposed activities:
  - Study to evaluate co-control benefits of climate policies and air quality
  - Mitigation workshop
  - Cooperative analysis of GHG emission reduction potential in transportation
  - CDM: institutional capacity-building and project proposal development

**NOAA**

- China has participated with NOAA in the WestPac (Western Pacific) Climate Change Research Program, supplying research vessels.

**U.S. Country Studies Program (CSP)**

- \$1.7 million climate change country study: emissions inventory, vulnerability assessments in 9 economic sectors, GHG mitigation options.
- Support for National Action Plans (SNAP) initiative.

**U.S. Initiative for Joint Implementation (IJI)**

- November, 1996 workshop yielded 5 AIJ project proposals and request to establish national AIJ office in Beijing.

**International Finance Institutions - Programs, Issues and Activities****Projects:**

|      |           |                                                  |
|------|-----------|--------------------------------------------------|
| ADB: | US\$ 150m | Meizhu Wan Power                                 |
| ADB: | US\$ 150m | Northeast power Transmission                     |
| ADB: | US\$ 350m | Anhui Fuyang Thermal Power                       |
| ADB: | US\$ 156m | Xi'an-Xianyang-Tongchuan Environment Improvement |
| ADB: | US\$ 150m | Hebei Roads Development                          |
| ADB: | US\$ 140m | Guizhou Shuibai Railway Company                  |

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09/11/98 12:58 PM

DRAFT  
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5

|          |            |                                                                                     |
|----------|------------|-------------------------------------------------------------------------------------|
| ADB:     | US\$ 0.7m  | Promotion of Market-Based Instruments for Environmental Management                  |
| ADB:     | US\$ 0.6m  | Environmental impact Assessment and Environmental Management Curriculum Development |
| ADB:     | US\$ 0.4m  | Promotion of Energy-Saving Construction Materials                                   |
| ADB:     | US\$ 1.0m  | Power Rehabilitation and Environmental Improvement                                  |
| UNDP-GEF |            | Energy Conservation in Towns and Villages                                           |
| IBRD-GEF | US\$ 32.8m | Efficient Industrial Boilers                                                        |
| UNDP-GEF |            | Energy-Efficient CFC-free Refrigerators                                             |
| UNDP-GEF |            | Development of Coal-bed Methane Resources                                           |
| ADB-UNDP |            | ALGAS                                                                               |
| GTZ      |            | Prompt Start Measures for GHG Mitigation                                            |
| IBRD-GEF |            | Sichuan Gas T&D Rehabilitation                                                      |

**Trade and Commercial Issues and Activities**

China has the world's most rapidly developing economy, and associated energy needs are expected to double in the next 20 years. China is pursuing energy efficiency and a wide range of technology options to meet its needs and to help diversify its energy supplies, which are now 75 percent reliant on coal. Commercial opportunities to reduce greenhouse gases in China are found in the following areas:

- improving urban air quality (gas to urban households; hybrid fuel cars)
- rural electrification (improving transmission efficiency; renewable energy sources for distant off-grid locations)
- clean energy sources (natural gas supplies; exploration and development of major gas fields; pipelines from Samarkand reserves)

The U.S. Department of Commerce co-chairs the Joint Committee on Commerce and Trade; one of its subcommittees focuses on energy and environment. It sponsors seminars, trade missions and trade promotion events for U.S. firms. Specific sectors include pollution control, and equipment and services for basic industries, such as building materials and chemicals.

**Other Opportunities**

None identified.

**CALENDAR OF OPPORTUNITIES**

- Asia-Europe Summit and Sino-EU Summit (April 2-4)
- UN Economic and Social Commission for Asia and the Pacific (April 16-23)

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DRAFT

09/11/98 12:58 PM

DRAFT  
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6

- Asian Development Bank Annual Meeting (April 29-May 1)
- APEC Finance Ministerial (May 23-24)
- APEC Senior Officials' Meetings (June 12-20)
- APEC Trade Ministerial (June 28-July 2)
- APEC ISTWG and Environment Meetings (TBD)
- ASEAN Annual Meetings (July 21-29)
- U.S.-China Science and Technology Meetings (Sept/Oct or Nov)
- U.S.-China Conference on Water Resources (September)
- APEC Senior Officials' Meetings (September 1-9)
- Asian Conference on Food, Safety and Nutrition (September 14-17)
- Pacific Rim Forum (September 22-25)
- APEC High-level Oceans Conference (October)
- APEC Energy Ministerial (October 8-10)
- Joint Commission on Commerce and Trade (JCCT) Meeting (TBD)
- DOE/State Planning and Development Commission Bilateral Energy Consultations

**ENERGY SECTOR: CURRENT AND FUTURE ENERGY STRUCTURE**

China's per capita energy consumption (excluding biomass sources such as fuel wood) has grown from 18 million Btu in 1980, to about 31 million Btu in 1996, roughly one-tenth of per capita consumption in the US. China's rapidly growing economy is expected to drive energy demand growth of about 4-5 percent annually through 2015 (reaching 58 million Btu per capita by the last projection year.) The industrial sector, which historically accounted for 75 percent of energy consumption, is expected to continue increasing its energy efficiency while becoming more electricity-intensive (as it phases out direct fuel burning) and the demand for transportation is expected to rapidly rise above its 7 percent share of total energy consumption. In 1995, China emitted 804.8 mmt of energy-related carbon -- 13.3 percent of the global total. In 1995, manufactures and construction accounted for 46.7% of China's carbon emissions, followed by electricity generation and heating at 33.3% and the residential sector at 10%. Production and distribution of energy will become a major challenge in coming years, as only about 80 percent of the population is connected to the country's electrical grid, and energy sources (domestic coal, etc.) are far from consumption centers; bottle necks will continue to exist in transportation (with 60% of rail transport currently dedicated to shipping coal) and electricity distribution. The 9th 5-year plan (1996-2000) calls for adding 16 gigawatts (GW) of electricity generating capacity a year, increasing China's total to 290-300 GW by 2000, from the 1995 total of 190 GW. However, there are recent indications of excess capacity in some parts of China, which could result in downward revisions of additional capacity goals.

In 1995, coal accounted for 74.5 percent of China's primary energy production, including 75% of all electricity generated. Petroleum, which is now a net import, accounted for 18.1 percent of primary energy production, hydroelectricity for 5.1 percent (including 20 percent of total generated electricity), natural gas 1.9 percent, and nuclear about 0.4 percent. In 2015, coal is expected to retain its importance in Chinese fuel mix, increasing its share to 77.4 percent of total primary energy production. Hydroelectricity, natural gas, and nuclear will increase in importance to 6.2, 4.1 and 1.6 percent, respectively, and oil will decline.

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DRAFT

09/11/98 12:58 PM

DRAFT  
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7

**CLIMATE CHANGE VULNERABILITY**

The effects of climate change may exacerbate China's serious environmental degradation. Air pollution from the overwhelming use of high-sulfur coal contributes to health and environmental problems and is one of the most dangerous long-term threats to sustainable economic growth. Resultant acid rain affects neighboring Korea and Japan. Water shortages are the norm throughout the country. One fifth of agricultural land has been lost since 1957 due to soil erosion. Desertification is a major problem. Frequent typhoons (5/yr) strike the southern and eastern coasts. Damaging floods, tsunamis and droughts are common. A potential positive effect of global warming may be lengthened agricultural growing seasons.

**BASELINE DATA**

At nearly 15% of the global total, China is currently the second largest emitter of greenhouse gases overall, and is the largest developing country emitter. As the growing economy drives energy demand by about 5% a year, China also has the world's highest rate of emissions growth.

**Baseline Emissions<sup>1</sup>**

|                                             |       |                                                   |       |
|---------------------------------------------|-------|---------------------------------------------------|-------|
| CO <sub>2</sub> Emissions <sup>2</sup>      | 2,668 | Per Capita CO <sub>2</sub> Emissions <sup>3</sup> | 2,27  |
| U.S. CO <sub>2</sub> Emissions <sup>4</sup> | 4,881 | Per Capita CO <sub>2</sub> Emissions <sup>5</sup> | 19.13 |
| Ratio Relative to Global Average            |       | Per Capita Emissions                              | 55%   |
| Percentage of Total Global Emissions        |       |                                                   | 11.9% |

**GDP and Population Data**

|                              |           |                                     |       |
|------------------------------|-----------|-------------------------------------|-------|
| Per Capita GDP               | \$1,838   | GDP Growth Rate <sup>6</sup>        | 4.7%  |
| 1990 Population <sup>7</sup> | 1,155,305 | Population Growth Rate <sup>8</sup> | +1.1% |

<sup>1</sup> The CO<sub>2</sub> emissions data in the table below are taken from the 1996-1997 World Resource Institute (WRI) tables. The data provided are estimates for 1993.

<sup>2</sup> 1000's of metric tons, Data from WRI data representing primarily estimates for 1993 usage.

<sup>3</sup> Metric tons.

<sup>4</sup> 1,000,000's of metric tons, Data from WRI data representing primarily estimates for 1993 usage.

<sup>5</sup> Metric tons.

<sup>6</sup> Average growth 1983-1993.

<sup>7</sup> 1000's

<sup>8</sup> Average change 1990-1995.

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09/11/98 12:58 PM