

CPC Central Committee's "Proposal" on the Thirteenth 5-Year Decarbonization and Energy Plan

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On November 3, Xinhua News Agency released the Proposal on Formulating the Thirteenth Five-year Plan (2016-2020) on National Economic and Social Development (hereinafter called "the Proposal")¹ which had been adopted at the Fifth Plenary Session of the 18th CPC (Communist Party of China) Central Committee that closed on October 29. Concurrently, a document explaining the Proposal by President and CPC General Secretary Xi Jinping² was also released. This Proposal by the Central Committee far exceeds the usual meaning of "advice" or "suggestion"; it sets the fundamental direction, major goals and overall policies of the Thirteenth Five-year Plan which starts in 2016, and provides a guideline for the government agencies in formulating their plans and deliberating them at the National People's Congress next March.

Since its establishment in 2013, the Xi Jinping-Li Keqiang leadership has consistently shifted the country's strategic focus away from "economic scale and growth rate", to "the quality and efficiency of growth", aiming to achieve the "new normal" for China's society and economy. Consequently, China's economic growth rate for January to September this year dropped to 6.9% from 7.8% in 2012, accompanied by a significant decrease in energy consumption per GDP and its per-GDP CO₂ emissions.³ Through the Five-year Plan, the Proposal aims rapidly to establish the system and method needed to cement the "new normal", and to build a "moderately prosperous society" through stable development with higher quality and more efficient growth.

Achieving this will require maintaining medium to high economic growth and doubling the GDP and per capita income from 2010 in both urban and rural areas. The Proposal does not set any numerical targets for the growth rate, but an average growth rate of 6.5% over the next five years has been indicated as necessary⁴ by President Xi in his explanation of the Proposal, and also by Prime Minister Li at a welcome luncheon by South Korean business leaders in Seoul on November 1⁵, at a talk with a Japanese economic mission in Beijing on the 4th⁶, and in an article in the People's Daily on the 6th.⁷

To firmly establish the "new normal", the Proposal calls for promoting low-carbon, recycling-based development and boosting energy efficiency to effectively curb energy

¹ See http://www.gov.cn/xinwen/2015-11/03/content_2959432.htm.

² See http://news.xinhuanet.com/politics/2015-11/03/c_1117029621.htm.

³ See IEEJ Newsletter No. 144 (September 2015), for example.

⁴ According to the National Bureau of Statistics, real GDP for 2014 is 1.36 times that of 2010. If the growth rate for 2015 reaches the 7% government target, the real GDP would grow to 1.46 times. Thus, to double GDP by 2020, an average growth rate of 6.52% would be required for the five years starting from 2016.

⁵ See http://www.gov.cn/guowuyuan/2015-11/02/content_2958107.htm.

⁶ See <http://digital.asahi.com/articles/DA3S12051604.html?rm=150>, for example.

⁷ See http://www.gov.cn/guowuyuan/2015-11/06/content_2961542.htm

consumption and CO₂ emissions. This will be achieved by building a clean, low-carbon, safe, highly efficient and modern energy system through an energy revolution: accelerating the development of wind, solar PV and heat, biomass, hydropower and geothermal energies, developing nuclear power safely and efficiently, increasing facilities for smart grids and bulk power storage, promoting development of distributed energy, giving higher priority to high-efficient and low-carbon power sources, using fossil fuels more cleanly and efficiently, actively exploring natural gas, shale gas and coal bed methane, and improving the energy storage system. The specific policy measures to achieve this will include new efforts such as setting initial quotas for energy consumption and carbon emissions and developing a trading system, in addition to reinforcing existing measures including firmly executing reforms to leave oil and gas prices to the market, making it easier for more private firms to enter the oil and gas industry, introducing the top-runner system for energy efficiency, boosting the number of new next-generation vehicles and raising energy-saving standards for construction. The initial quotas allocating and trading system will be introduced in energy-intensive industries that generate large CO₂ emissions, such as steel, power and cement. The Proposal confirmed China's plans to launch a national emissions trading system for these industries in 2017, previously announced in the U.S.-China Joint Presidential Statement on Climate Change⁸ released on September 25.

What is notable is that the Proposal calls for international cooperation in global warming prevention and energy as part of China's diplomatic strategy. In the "Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road" announced in March, the Xi-Li administration designates regional energy cooperation towards low-carbon society as one of the pillars.⁹ The Proposal reiterated the "Belt and Road" initiative, and also pledges that China will fulfill its international responsibilities by playing an active role in the climate framework negotiations, steadily meeting the Intended Nationally Determined Contributions (INDC)¹⁰ which set up the country's basic policy for global warming prevention and was submitted to the UN on June 30, increasing financial and other aid to developing countries, and broadening the scope of such aid to include capacity building.

As described above, the Proposal defines the basic policies for the country's decarbonization and energy plan, but sets no numerical targets. In fact, some related numerical targets have already been published in various official documents. For instance, the State Council released the "Energy Development Strategy Action Plan (2014-2020)"¹¹ on November 19, 2014, which sets the targets by 2020 to curb primary energy consumption to 4.8 billion tonnes (standard coal-equivalent, 1 t = 7×10⁶ Kcal) and coal consumption to 4.2

⁸ See http://www.fmprc.gov.cn/mfa_chn/ziliao_611306/1179_611310/t1300787.shtml for Chinese and <http://en.ccchina.gov.cn/archiver/ccchinaen/UpFile/Files/Default/20150928153720374768.pdf> for English. The author's analysis on the Joint Statement is available in "The Fourth U.S.-China Joint Presidential Statement on Climate Change" published on the IEEJ website in October 2015.

⁹ Available in Chinese, Japanese and English at: http://www.ndrc.gov.cn/xwzx/xwfb/201503/t20150328_669089.html, <http://www.china-embassy.or.jp/jpn/zgyw/t1250235.htm>, <http://english.eri.cn/12394/2015/03/29/2941s872030.htm>, respectively.

¹⁰ Both Chinese and English versions available at <http://www.ccchina.gov.cn/archiver/ccchinacn/UpFile/Files/Default/20150701083650312041.pdf>. For the analysis report, see IEEJ Newsletter No. 142 (July 2015).

¹¹ See http://www.gov.cn/zhengce/content/2014-11/19/content_9222.htm.

billion tonnes (raw coal), to reduce the ratio of coal in primary energy consumption to a maximum of 62%, and to raise the ratio of natural gas consumption to at least 10% and the plant capacity of hydropower, wind and solar PV to 350 GW, 200 GW and 100 GW, respectively. The targets for nuclear power are set at 58 GW for operating capacity and a minimum of 30 GW for construction capacity. Meanwhile, the INDC sets the overall target of reducing per-GDP CO₂ emissions by 40-45% from 2005 levels in 2020 and by 60-65% in 2030, and raising the ratio of non-fossil energy in primary energy consumption to 15% in 2020 and around 20% in 2030. It adopts the same set of targets for natural gas consumption and wind and solar PV development as the Strategy Action Plan, while also announcing an increase in coal bed methane production to 30 billion m³ in 2020. However, the INDC does not mention the hydropower and nuclear targets specified in the Strategy Action Plan; perhaps due to rising uncertainty in development¹² and to avoid losing face before the international community in case of missing these numerical targets. This shows the difficulty of developing an energy plan that can meet international commitments without fail. The future efforts by the National Development and Reform Commission (NDRC) and the National Energy Administration (NEA) are being tested.

¹² Development of hydropower is facing issues such as migrants and rising costs associated with dam construction, while nuclear development is facing problems such as repeated delays in the construction of the US third-generation reactor AP1000 and public opposition to inland NPP construction. For details, see China Economic Weekly, China Energy News, and <http://www.china5e.com/>.