

WHY IS THE CHINESE COMMUNIST PARTY TAKING ENVIRONMENTAL ISSUES SERIOUSLY?

— FIVE STRATEGIC IMPLICATIONS RELATED TO STABLE GOVERNANCE —

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SUMMARY

- The Chinese Communist Party has shifted its approach to environmental issues from its once “defensive” task that is needed to protect the environment and resources from pollution and waste arising from industrial development, to an “offensive” strategy, in which the country proactively addresses environmental problems to realize its national vision of building an ecological civilization and achieving high-quality development.
- The degree of importance placed on environmental issues by the Xi Jinping administration is unparalleled compared to past administrations. This is because the strategic implications of environmental problems for the Chinese Communist Party are becoming increasingly far-reaching. The issues of (1) the happiness of the people, (2) energy security, (3) green investment, (4) international collaboration, and (5) global competitiveness are all related to China’s priority area of governance: the security and development of the party and the nation.
- Understanding the above issues (1)-(5) should provide valuable perspectives for foreign companies that are promoting the environment-related business in China, and with Chinese partners.

GROWTH OR THE ENVIRONMENT?

Will China promote environmental policy at the expense of growth? When I was stationed in Beijing from 2016 to 2021, I heard local Japanese businesspeople ask this question a number of times. The opportunities to hear such question have increased even more since September 2020, when General Secretary Xi Jinping declared at the UN General Assembly that China aims for carbon neutrality by 2060¹. Behind this question is the recognition that the situation is different between developed countries that are discussing green recovery plans with little room for growth and the situation in China, whose GDP per capita has just barely exceeded US\$10,000. Also, some were asking the question out of concern that, while they want to pursue the environment-related business in China, whether or not they can actually trust the commitment of the authorities, with many wondering if the rug will be pulled out from under them somewhere along the way. Further, in Japan as well, some were voicing skepticism of greenwashing (deceptive campaigning of environmentally friendly approaches). The conclusion of this report is: That is not the case. This report first looks at how past administrations of the Chinese Communist Party have positioned environmental issues, and examines the strategic implications of environmental problems in China today, explaining why the above conclusion has been drawn. In doing so, this report attempts to answer the question posed at the opening.

¹ Unlike developed countries, China has declared a carbon-neutral target before achieving a peak in CO2 emissions. The transition period from peaking out emissions (China’s target is 2030) to carbon neutrality is 30 years, which is only about half that of developed countries.

TRANSITION FROM A “DEFENSIVE” TO AN “OFFENSIVE” MISSION

First, let us look back on history.

From the 1980s to the Hu Jintao Administration

Environmental issues only began appearing in important Chinese documents from the 1980s. The concept of protecting and improving the living environment and the ecological environment is mentioned for the first time in the current Constitution of the People’s Republic of China enacted in 1982 (Figure 1). However, in the report to the 12th National Congress of the Chinese Communist Party² (presented by General Secretary Hu Yaobang) in the same year, it was only mentioned in the context of discussing initiatives to promote agriculture by “maintaining ecological balance”. The report to the 13th National Congress in 1987 (presented by General Secretary Zhao Ziyang) included a remark that population control, environmental protection, and ecological balance are important issues related to all aspects of economic and social development, making a stronger reference to the issue. Up until the next administration under General Secretary Jiang Zemin (1989-2002), environmental issues were often discussed together with population issues. The leadership at that time was strongly aware of the problem that overpopulation is the cause of resource depletion and environmental pollution. Under the Hu Jintao administration (2002-2012), air, water, and soil contamination became exacerbated at the expense of high economic growth, and environmental issues came to take on greater importance toward the end of his term (Figure 2). The concept of “building an ecological civilization³” was first introduced in the report to the 17th National Congress in 2007 and was adopted when the party’s constitution was revised in 2012 (Figure 3). Under the Hu Jintao administration, the Chinese Communist Party’s response to environmental problems changed qualitatively from a “defensive” task of protecting the environment and resources from pollution and waste caused by industrial development to an “offensive” strategy of actively pursuing initiatives to realize the national vision of building an ecological civilization.

Figure 1: Descriptions contained in the Constitution of the People’s Republic of China related to environmental protection and the building of an ecological civilization

Constitution version	1954	1975	1978	1982	2018 revision (see Note)
					*Revisions and amendments are indicated in red
Supreme leader at the time of promulgation	Mao Zedong	Mao Zedong	Hua Guofeng	Deng Xiaoping	Xi Jinping
Related notation	None	None	None	(Article 26) The State protects and improves the living environment and the ecological environment, and prevents and controls pollution and other public hazards. The State organizes and encourages afforestation and the protection of forests.	<p>(Preamble) ...promote the coordinated development of the material, political, spiritual, social, and ecological civilizations, to turn China into a strong modern socialist country that is prosperous, democratic, culturally advanced, harmonious, and beautiful, and to realize the great rejuvenation for the Chinese nation.</p> <p>(Article 26) The State protects and improves the living environment and the ecological environment, and prevents and controls pollution and other public hazards. The State organizes and encourages afforestation and the protection of forests.</p> <p>(Article 89) The State Council exercises the following functions and powers:</p> <p>(6) to direct and administer economic affairs and urban and rural development, as well as the building of an ecological civilization;</p>

Note: The Constitution of 1982 was revised in 1988, 1993, 1999, and 2004, but the revisions do not include any statements related to the ecological environment.
 Source: Each version of the Constitution of the People’s Republic of China

² Held once every five years, it is the most important meeting of the Chinese Communist Party and serves as the forum where decisions are made on amendments to the party’s constitution and election of members to the party’s Central Committee.

³ For the definition of ecological civilization, see the 2012 and 2017 amendments to the Communist Party Constitution in Figure 3, from the part beginning with “The Chinese Communist Party shall lead the people...” Simply put, the concept refers to a civilization that balances environmental protection and resource conservation with the development of the economy and industry. China is also trying to publicize the ecological civilization concept by advocating the “Green Silk Road” and promoting low-carbon projects overseas.

Figure 2: Changes in the number of mentions of environment-related keywords in the political reports presented to each National Congress

Year held	1977	1982	1987	1992	1997	2002	2007	2012	2017
Congress	11	12	13	14	15	16	17	18	19
Presenter of the report	Hua Guofeng	Hu Yaobang	Zhao Ziyang	Jiang Zemin	Jiang Zemin	Jiang Zemin	Hu Jintao	Hu Jintao	Xi Jinping
Ecology (note)	0	1	2	1	1	5	12	39	40
Green	0	0	0	0	0	0	0	1	15
Environment (note)	0	0	4	4	5	6	16	24	22
Low carbon	0	0	0	0	0	0	0	1	4

Note: For "ecology" and "environment", only mentions related to the natural environment or similar contexts were counted, and usage in the context of investment environment, political ecology, etc. were not counted.

Source: Compiled by MGSSI based on the political reports presented to each session of the National Congress of the Chinese Communist Party

Figure 3: Descriptions contained in the Constitution of the Chinese Communist Party related to environmental protection and an ecological civilization

Version	2002 revision	2007 revision	2012 revision	2017 revision *Revisions and amendments to the 2012 version are indicated in red
Supreme leader at the time of the opening of the National Congress session for deliberating the proposed revisions	Jiang Zemin	Hu Jintao	Hu Jintao	Xi Jinping
Related notation	(None)	... build a resource-conserving and environmentally friendly society	...thoroughly promote the building of the economy, government, culture, society, and ecological civilization ...The Communist Party of China shall lead the people in building a socialist ecological civilization. It shall strengthen the philosophy underlying the ecological civilization that nature should be respected, adapted to, and protected; follow the fundamental national policy of conserving resources and protecting the environment; uphold the principle of prioritizing resource conservation and environmental protection and letting nature restore itself; and take a positive path to development that ensures increased production, higher living standards, and healthy ecosystems. The Party shall strive to build a resource-conserving, environmentally friendly society, and work to shape spatial layouts, industrial structures, modes of production, and ways of life that are conducive to resource conservation and environmental protection, creating good working and living environments for the people, and ensuring sustainable development for the Chinese nation.	...pursue the vision of innovative, coordinated, green, and open development ...the Party must promote coordinated economic, political, cultural, social, and ecological advancement... ...The Communist Party of China shall lead the people in building a socialist ecological civilization. It shall strengthen the philosophy underlying the ecological civilization that nature should be respected, adapted to, and protected; fully understand that lucid waters and lush mountains are invaluable assets; follow the fundamental national policy of conserving resources and protecting the environment; uphold the principle of prioritizing resource conservation and environmental protection and letting nature restore itself; and take a positive path to development that ensures increased production, higher living standards, and healthy ecosystems. The Party shall strive to build a resource-conserving, environmentally friendly society, implement the strictest possible environmental protection systems, and work to shape spatial layouts, industrial structures, modes of production, and ways of life that are conducive to resource conservation and environmental protection, creating good working and living environments for the people, and ensuring sustainable development for the Chinese nation.

Source: Each version of the Constitution of the Chinese Communist Party

Xi Jinping Administration

The administration of Xi Jinping (which took office from 2012) has strongly demonstrated its environment-oriented attitude from its inception. President Xi appealed to the public with easy-to-understand words, paraphrased here as “lucid waters and lush mountains are invaluable assets for the happiness of the people” and “no matter how much you earn, you cannot be happy if air and water are substandard.”⁴

⁴ Words delivered in a speech given during an inspection tour of Hainan Province in April 2013.

The Xi administration has been strengthening its environmental response under the vision of “high-quality development”. Specific efforts include accelerating the introduction of renewable energy⁵, mandating the production of new energy vehicles⁶, and implementing a nationally unified carbon emissions trading system (ETS)⁷. The Xi administration has improved the effectiveness of its environmental policies through legislative developments, structural reforms, and the dispatching of central environmental inspection teams to regional areas. Regarding borderless issues, such as climate change and marine pollution, the administration is stepping up its efforts, not only because it recognizes the importance of these issues from the perspective of domestic affairs, but also from the standpoint of foreign diplomacy.

Two points that are particularly noteworthy in this series of efforts are the adoption of the constitutional amendment in March 2018 that stipulated the construction of an ecological civilization, and the government’s more recent declaration of its “2060 carbon-neutral” goal. The idea of building an ecological civilization has been incorporated into both the Constitution of the Chinese Communist Party and the Constitution of the People’s Republic of China, thereby becoming an official vision of both the party and the nation. The 14th Five-Year Plan (2021-2025)⁸ stipulates the realization of new progress in the construction of an ecological civilization and specifies many related goals and policies (Figures 4 and 5). At the same time, the carbon-neutral target is encouraging local governments and companies (especially state-owned enterprises) to change their mindsets. As a consequence, activities designed to respond to this initiative are spreading⁹.

Figure 4: Main quantitative goals of China's 14th Five-Year Plan (excerpts of environment-related items)

Item	2020 Results	2025 Target value	Note	Goal attribute
Real GDP growth rate (%)	2.3	—	Proposed based on annual conditions, maintained in an intermediary interval	Anticipated
Reduction of energy consumption per unit of GDP (%)	—	—	Reduction of 13.5% over five years compared to 2020	Binding
Reduction in carbon dioxide emissions per unit of GDP (%)	—	—	Reduction of 18% over five years compared to 2020	Binding
Proportion of days with good air quality in cities at prefecture level and above (%)	87	87.5	—	Binding
The proportion of water bodies with good surface water quality (grade III = drinking water quality) or higher (%)	83.4	85	—	Binding
Forest cover rate (%)	23.2	24.1	—	Binding

Source: China's “14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035”

⁵ In 2020, China added new renewable energy capacity of 136GW (up 114% year on year) with newly introduced facilities. China accounts for 52% of the global market for renewables, positioning it far ahead of the US in second place with a share of 11% (29GW). The figures are based on the statistics of the International Renewable Energy Agency (IRENA).

⁶ New energy vehicles refer to three types of vehicles: pure electric, plug-in hybrid, and fuel cell vehicles. China mandated the production of such vehicles in 2019.

⁷ ETS transactions began in July 2021 in Beijing, Shanghai, and Wuhan.

⁸ Officially called the “14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives Through the Year 2035.”

⁹ For example, immediately after President Xi announced China’s carbon-neutral target, PetroChina, the largest state-owned oil company, set a goal to reduce CO2 emissions to almost zero by 2050 and is showing a stance towards increasing investments in renewable energy and hydrogen projects.

Figure 5: Major environmental policies in the 14th Five-Year Plan

<p>Build a modern energy system: Promote the energy revolution, build a clean, low-carbon, safe, and highly efficient energy system, and improve energy supply assurance capabilities (increase the proportion of non-fossil energy in total energy consumption to about 20% by 2025).</p> <p>Carry out in-depth pollution prevention and control measures: Adhere to prevention and control at the source and comprehensive measures and strengthen the coordinated control of multiple pollutants and coordinated regional governance.</p> <p>Comprehensively improve the level of environmental infrastructure: Build an environmental infrastructure system that integrates sewage, garbage, solid waste, hazardous waste, and medical waste treatment and disposal facilities as well as monitoring and regulation capabilities, and form an environmental infrastructure network that extends from cities to established towns and villages.</p> <p>Actively respond to climate change: Implement intended nationally determined contribution (INDC) targets for climate change response by 2030 and formulate an action plan to reach peak carbon emissions by 2030.</p> <p>Improve the modern environmental governance system: Establish an ecological and environmental governance system with overall planning for the surface and subsurface and land and sea.</p> <p>Comprehensively increase resource use efficiency: Adhere to the directive of giving priority to energy conservation, deepen energy conservation in industry, construction, transportation, and other fields and at public agencies, promote increased energy efficiency in emerging fields such as 5G and big data centers.</p> <p>Build a resource recycling system: Fully implement the concept of the circular economy and build a multi-level efficient resource recycling system.</p> <p>Develop the green economy: Resolutely curb the blind development of high energy-consuming and high-emission projects and promote green transformation to achieve positive development.</p> <p>Build a green development policy system: Strengthen legal and policy guarantees for green development.</p>
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Source: China's "14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035"

FIVE STRATEGIC IMPLICATIONS

The degree of importance given to environmental issues by the Xi administration is exceptional compared to past administrations, both in terms of language and behavior. The view of this report is that such an approach stems from the strategic implications of environmental issues for the Chinese Communist Party stretching across a wider spectrum with each coming year, and their importance is therefore also increasing. These implications are related to the most important governance issue: the security and development of the party and the nation. Following is an analysis of five factors considered to be particularly important in connection with these strategic implications.

(1) The happiness of the people

From time to time, President Xi has delivered the message "lucid waters and lush mountains are invaluable assets for the happiness of the people". The public is also keenly interested in environmental issues (Figure 6). Now that the Chinese Communist Revolution and the founding of the People's Republic of China have become events of a distant past and the country's miracle period of exceptionally strong economic growth has come to an end, how should the Chinese Communist Party appeal to the public to maintain its influence and ensure the stability of its governance? One way may be to stir up nationalism through hardline diplomacy, or to produce results with science and technology developments (space development, etc.)¹⁰. However, in terms of importance, it would be better to show a commitment on a more familiar level, by serving the "people's well-being" while also working to protect the stability and order of the economy and society. The mission to restore the clean air and water is a familiar, easy-to-understand, and widely supported initiative.

¹⁰ In fact, President Xi has used many expressions to spark nationalism. For example, in a speech given on July 1, 2021 at a ceremony marking the 100th anniversary of the Chinese Communist Party, Xi said, "Chinese people will never allow any foreign force to bully, oppress, or subjugate us. Anyone who would attempt to do so will find themselves on a collision course with a great wall of steel forged by over 1.4 billion Chinese people."

Figure 6: Political issues of great interest to Internet users in China

Rank	Keyword	No. of votes	
High interest	1	Rule of law	3,420,814
	2	Social security	3,138,278
	3	Rural vitalization	3,134,030
	4	Anti-corruption work	3,116,774
	5	Lucid waters and lush mountains (ecological protection)	2,944,888

Low interest	16	Six stabilities and six guarantees	1,646,548
	17	Cultural persuasiveness (soft power)	1,598,282
	18	New phase of development	1,590,062
	19	Chinese diplomacy	1,581,476
	20	Physical education powerhouse	1,526,770

Note: The survey was conducted by the People's Daily from February 4 to February 28, 2021. A total of over 5.2 million people participated. Internet users were asked to select 10 key topics from a list of 20 that were of greatest interest to them.

Source: Compiled by MGSSI based on the results of the People's Daily Online 2021 nationwide survey

(2) Energy security

According to one Chinese think tank's estimate¹¹, the use of non-fossil fuel energy as a proportion of China's total primary energy consumption will increase from 15.9% in 2020 to 81%¹² by 2060 as the country strives to achieve carbon neutrality by that year. Unlike oil and natural gas, for which China is highly dependent on imports, China is almost self-sufficient in non-fossil fuel energy. China's increased adoption of such energy has great significance in not only reducing CO₂ emissions but also in terms of energy security. In addition, if the energy conservation mindset permeates among businesses and citizens under the national vision of building an ecological civilization, the total amount of energy required by the country itself can be reduced.

(3) Green investment

The Chinese Communist Party, which is aiming for long-term stable growth against the tide of a declining birthrate, an aging population, and an increase in debt, harbors great expectations for green investment with enormous latent demand. According to a calculation by a research team at Tsinghua University¹³, the scale of new investment in the energy field from 2020 to 2050 (as China moves toward carbon neutrality) will amount to 138 trillion yuan (approximately 2,350 trillion yen) and boost GDP by more than 2.5% annually. Meanwhile, Goldman Sachs has released an estimate of US\$16 trillion (approximately 1,660 trillion yen) for the period from 2021 to 2060 (Figure 7)¹⁴. In addition, Goldman Sachs estimates energy investment will result in the creation of 40 million jobs (net basis), after factoring in the decrease in employment in the coal and other industries (Figure 8).

¹¹ State Grid Research Institute, *Zhōngguó néngyuán diànlì fāzhǎn zhǎnwàng 2020* [China energy and power development outlook 2020], (November 2020)

¹² Wind power (31%), solar (21%), etc., followed by nuclear energy and hydropower.

¹³ *Zhōngguó chángqī dī tàn fāzhǎn zhànlüè yǔ zhuǎnxíng lùjìng yánjiū* [Study on China's long-term low carbon transition pathway under the urbanization process] (October 2020)

¹⁴ "Carbonomics China Net Zero: The clean tech revolution" (January 2021)

Figure 7: Investment opportunities associated with China's pledge to achieve carbon neutrality by 2060

Sector		US\$ trillion
Renewable power (total)		5.5
Breakdown	Onshore wind	2.0
	Solar	1.9
	Hydro & other RES	0.9
	Offshore wind	0.7
Industrial processes		2.7
Power networks		2.1
Hydrogen pipeline infrastructure		1.4
Transport EV & FCEV infrastructure		1.2
CCUS		0.5
Nuclear power		0.5
Energy storage		0.5
Natural sinks		0.5
Hydrogen plants		0.4
Biofuels		0.3
Total		16.0

Note: Total investment value and the sum of breakdown values by sector do not agree. This is thought to be because the investment values were rounded down to two decimal places (US\$10 billion) in the source report. Source: Compiled by MGSSI based on materials of Goldman Sachs Global Investment Research

Figure 8: Job creation and job loss potential by sector

Sector		mn jobs
Renewable electricity generation		24.2
Breakdown	Construction, installation & manufacturing	17.3
	Operation & maintenance	6.9
EV charging infra, construction, installation, operation, maintenance, grid constructions, civil & road work		10.1
Power networks		5.1
Biofuels and bioenergy production & supply chain		2.7
Batteries and electrification equipment manufacturing		2.1
Clean hydrogen manufacturing		1.7
Nuclear power generation		0.3
Mining and processing of copper and other metals		0.1
Crude oil extraction, processing & refining		▲1.4
Coal-fired electricity generation and supply		▲2.5
Coal mining & dressing		▲2.7
Net job creation in China to 2060		39.7

Source: Compiled by MGSSI based on data from Goldman Sachs Global Investment Research

(4) International collaboration

For China, environmental issues, especially climate change issues, are also important in the context of its diplomatic mission to enhance its international influence and stabilize the external environment. While China has a great responsibility as the world's biggest CO₂ emitter¹⁵, it is also in a position to potentially lead in the governance of this important global issue. In collaboration with emerging and developing countries, China is keeping the development of rules¹⁶, mainly led by advanced countries, in check, while promoting low-carbon projects in emerging and developing countries under its Green Silk Road concept. At the same time, it is attaching great importance to cooperation with the governments, financial institutions, and companies of the advanced countries (e.g., Japan-China third country market cooperation). In particular, as China's relations with Western democracies have recently deteriorated over human rights and security issues, climate change is becoming more important as a valuable theme on which it can maintain dialogue and cooperation with the West¹⁷.

¹⁵ According to BP's "Statistical Review of World Energy 2020," China's CO₂ emissions in 2019 reached 9.82 billion tonnes, representing a global share of 28.7%. The second largest emitter was the US at 4.96 billion tonnes and with a global market share of 14.5%.

¹⁶ In a statement from the BASIC Ministerial Meeting on Climate Change, which was held online in April 2021 and brought together the environment ministers of Brazil, South Africa, India, and China, ministers expressed "grave concerns regarding the proposal for introducing trade barriers", such as the EU's planned introduction of its Carbon Border Adjustment Mechanism (CBAM).

¹⁷ President Xi's remarks at the Leaders Summit on Climate Change held in April 2021 clearly underscored China's stance on positioning climate change as an important theme for international cooperation. "China welcomes the United States' return to the multilateral climate governance process. Not long ago, the Chinese and US sides released a Joint Statement Addressing the Climate Crisis. China looks forward to working with the international community including the United States to jointly advance global environmental governance." he said.

(5) Global competitiveness

Meanwhile, international competition surrounding the climate change issue is intensifying, and there is growing recognition in China that losing in this competitive arena means suffering a significant loss of opportunity. In a study released by a prominent Chinese think tank scholar¹⁸, the four main issues of this competition are identified, namely, (1) the establishment of standards (e.g., green financial standard), (2) technology development (e.g., CO2 storage and hydrogen related technology), (3) economic and trade rule making, and (4) fund procurement (e.g., development of emission credit markets). With respect to (3), the study includes outlooks for an expansion in trade and investment between low-carbon economies in the future (apparently bearing in mind the carbon border adjustment mechanism being prepared for introduction by the EU), and is also urging China to prepare for this.

NOT A ZERO-SUM GAME

As discussed above, the Chinese Communist Party sees the environmental issue as a theme that should be addressed with all seriousness, in connection with the various interests that contribute to the “security and development of the party and the nation,” and it will likely continue strengthening its response.

As for the question posed at the opening of this report, “Growth or the environment?”, the answer seems to be that this binary question itself is no longer valid. In the past, the mainstream views in China were that environmental costs are an inherent repercussion of growth and that responding to environmental issues would be a limiting factor for growth. Now, however, while it is not perfect, both the government and companies are shedding the presumption that growth and the environment constitute a zero-sum game. It can be said that this progression in thought has put China closer to the way of thinking of developed countries. There may be cases where environmental measures are postponed in the short term or in a limited scope for the sake of stimulating the economy, securing stable energy supplies, etc., but the instances of such exceptions will likely decrease gradually. President Xi has said it is “entirely possible” for China to double its GDP by 2035, compared to 2020¹⁹. In other words, the party leadership recognizes that it is feasible to achieve average annual economic growth of about 5% until 2035 in parallel with the environmental response targets shown in Figure 9.

Figure 9: Chinese Communist Party milestones and key environmental goals

2021	<ul style="list-style-type: none"> • 100th anniversary of the Chinese Communist Party (July)
2025	<ul style="list-style-type: none"> • Promote new energy vehicle sales to represent 20% of new vehicle sales. • Increase non-fossil fuel energy usage to 20% of primary energy consumption.
2026-30	<ul style="list-style-type: none"> • Promote reduction of coal consumption.
Before 2030	<ul style="list-style-type: none"> • Peak out of CO2 emissions
2030	<ul style="list-style-type: none"> • Increase non-fossil fuel consumption to 25% of total consumption, reduce CO2 emissions per unit GDP by more than 65% compared to 2005, increase forest acreage by 6 billion sq. meters compared to 2005.
2035	<ul style="list-style-type: none"> • Conversion of all new vehicles to environmentally friendly vehicles • Realization of modern socialism (Fundamentally improve the ecological environment and essentially realize the goal of a “Beautiful China”, etc.)
2049	<ul style="list-style-type: none"> • 100th anniversary of the founding of the People’s Republic of China (October)
Mid-21st Century	<ul style="list-style-type: none"> • Build a modern socialist powerhouse (Pursue sweeping enhancements in the material, political, spiritual, social, and ecological civilizations, etc.)
2060	<ul style="list-style-type: none"> • Realize carbon neutrality.

Source: Compiled by MGSSI based on various Chinese policy documents

¹⁸ Dr. Wang Wen, Executive Dean of the Chongyang Institute of Financial Studies, Renmin University of China, “*Tàn zhòng hé quánqiú bóyì, zhōngguó yě xū bìmiǎn āi mǎ*” [In the global game of carbon neutrality, China also needs to avoid being scolded], (June 2021)

¹⁹ President Xi’s explanatory speech on the Chinese Communist Party Central Committee’s proposals for formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 (November 3, 2020).

However, there are many challenges. In the paragraph on green investment, this report touched upon the estimation by the Tsinghua University research team. The same team also pointed out that the government can provide only around 10% of the necessary funding (out of the estimated 138 trillion yuan of new investment). The rest must be procured from the markets, and it is urgent for the government to improve the environment to encourage the inflow of market funds to the green sector, such as by promoting further deregulation in the energy sector and the development of green finance systems. Nevertheless, China is expected to effectively pursue initiatives by leveraging its strengths, which include speedy social implementation of digital technology²⁰ and its capabilities to implement large-scale low-carbon projects in special zones and model cities²¹. As such, it is difficult to predict the future of China's environmental response based only on the common sense and experience cultivated in developed countries.

Finally, for foreign companies involved in the environmental business in China or with Chinese partners, understanding the strategic implications behind the Chinese Communist Party's emphasis on environmental issues, as discussed in this report, will likely provide a useful perspective from which to develop dialogue and business with partners.

²⁰ For example, the recent rapid spread of health code apps, which show the user's risk of COVID-19 infection, PCR test results, and vaccination record, has been effective in preventing the spread of COVID-19. In the environment-related field, there are apps for calculating an individual's carbon footprint and contributions to reducing CO2 emissions. In the future, if such apps can be used to provide incentives to users who have taken steps to reduce their carbon emissions, such as by commuting by bicycle instead of car, it may encourage a change in people's consciousness.

²¹ For example, the Chinese government is in the process of selecting model cities for fuel cell vehicles (FCVs). Instead of offering sales incentives uniformly throughout the nation, the government is trying to improve the efficiency of FCV supply chain development and market penetration by selectively providing support to promising cities and companies.