

Sandbag Climate Campaign & Center for Legal Assistance to Pollution Victims

Report on EU-China NGO Twinning program

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Sandbag and the Centre for Legal Assistance to Pollution Victims (CLAPV) collaborate on a detailed analysis of how the trial carbon markets will work in China, looking at available trading data and bringing together media and analysis on the topic. They wanted to then use CLAPV's expertise on Chinese law, and Sandbag's knowledge as a carbon market watchdog in the EU, to plan for further Non-Governmental Organisation involvement in ensuring China's carbon markets run smoothly. As a concrete outcome they planned to plot out a structure for how NGOs across China can ensure that China's carbon markets truly act to reduce emissions and protect the environment.

Alexandru Luta, Sandbag Climate Campaign, UK

Over the period of September-November 2014 the London-based Sandbag Climate Campaign ("Sandbag") and the Beijing-based Centre for Legal Assistance to Pollution Victims ("CLAPV"), participated in an NGO twinning program implemented by the Stiftung Asienhaus through the generous support of the Robert Bosch Stiftung.

Purpose of the Exchange

For its part, Sandbag was keen on this exchange because it would provide Sandbag with the opportunity to influence two separate political discussions: On the one hand, having worked for nearly six years pushing to improve the environmental efficacy of the EU's emissions trading scheme (ETS), Sandbag, by engaging in a dialogue with the technocrats designing the various pilot ETSs emerging in China, could ensure that the pitfalls highlighted by the European experience would not repeat themselves in the emerging climate policy of the world's largest greenhouse gas emitter. On the other hand, by communicating closely with the very same technocrats, Sandbag could become intimately familiar with the scale of, and determination behind, China's climate policy, enabling it to defuse arguments heard in Europe claiming that Beijing's climate policy is developing only sluggishly and therefore Europe, in order to safeguard the competitiveness of its economy, ought not strive for a more ambitious policy of its own. In Europe civil society has been a strong supporter for

effective climate policy, so for Sandbag to be able to find counterparts for dialogue in China and to influence this discussion in not one, but two jurisdictions constitutes a priceless opportunity.

Activities during the exchange

Because of the technical nature of Sandbag's work the entirety of the activities undertaken during the November visit to China consisted of study visits and policy-focused discussions with Chinese experts on emissions trading. Sandbag decided to focus on the issues that had proven most critical in the case of EU ETS, i.e. how the schemes gel with other climate and energy policies, how the schemes deal with market imbalances, and how cap-setting and allocation methodologies influence companies' incentives to cut their emissions.

Experts directly involved in the design and operation of ETS pilots

Of the seven pilot ETSs currently running in China, Sandbag was able to interact with experts working on three of them: Beijing, Tianjin and Hubei Province. Sandbag was able to travel to Wuhan in Hubei Province to interact directly with a professional working on designing China's largest ETS.

Consultancies with expertise in environmental economics

Much of the work related to the fine-tuning of any ETS or its interaction with other policy instruments is conducted by specialised consultancies. Sandbag was able to talk not only to ECOFYS, originally a European company that had branched out to China, but also to Chinese consultancies that had developed on their own, such as the Energy Foundation and Sinocarbon. These discussions were valuable in that they provided the opportunity to ask questions about how organically the ETS fits into the wider political economy of climate and energy in China.

Universities and research institutes

A different subset of experts carrying out more long-term and in-depth work on policy matters are academics and fellows working in research institutes. CLAPV, Sandbag's twinning partner, is based at the China University of Political Science Law, and has a large staff comprising lawyers and legal academics. In Beijing Sandbag was further able to meet with staff from the National Centre for Climate Change Strategy, the State Council's Development Research Centre, and the Central University of Finance and Economics – some of whom we met through the good offices of CLAPV. Finally, during the journey to Wuhan Sandbag further had the opportunity to interact with a legal scholar working at the Zhongnan University of Economics.

Thanks to their academic impartiality and their technocratic approach, this set of actors enjoy a great degree of trust within the central decision-making bodies of the Chinese state, e.g. the State Council, NDRC, etc. Being a foreign NGO, if Sandbag wishes to disseminate its ideas within China it probably needs to apply the most leverage on this group of people the most.

Environmental NGOs

As an NGO, Sandbag's natural peer constituency in China are fellow NGOs. Besides CLAPV, Sandbag was able to interact with a number of domestic NGOs, such as the Global Environmental Institute, the Rock Environment and Energy Institute and the Friends of Nature Foundation. These groups were instrumental in shaping Sandbag's understanding of the manner in which NGOs can convey their opinions to the decision-making process and the role that they can play in the wider Chinese society.

In addition to the Chinese NGOs, Sandbag was also able to meet with the National Resource Defence Council, which is originally a US-based NGO. Because of the much larger scale of this organisation, it was possible to branch out in the discussion, moving from purely ETS-related matters to the novel policy direction of gradually diminishing the share of coal in China's energy mix.

Non-Chinese entities

Sandbag received invaluable support in reaching out to its first contacts in China from members of the expatriate community, such as the UK Embassy, the EU Delegation and the Global Legislators Organisation. Thanks to the insights received from these organisations Sandbag was able to place the developments in the Chinese policy in a global context, gaining a better sense of the political knock-on effects on the level of the intergovernmental negotiations on climate change.

Impact of the Exchange

How did Sandbag affect China?

Due to experience of watching the EU ETS develop Sandbag is able to sound cautionary notes in discussions about the future evolution of the Chinese ETSs. While in China Sandbag does not have the same political cachet that it enjoys in London and Brussels, it is able to plant its ideas freely in expert-to-expert meetings that deal with matters of purely technical nature. It is Sandbag's hope that, in the course of bringing up such matters time and again with Chinese experts, the lessons from the European experience will eventually percolate to decision-makers.

How did China affect Sandbag?

Knowledge base

The availability of authoritative statistics is of vital importance to Sandbag's work in Europe. In previous visits to China Sandbag had not acquired much statistical information, but, thanks to the support granted by Stiftung Asienhaus, Sandbag now has acquired a number of statistical almanacs: The China Statistical Yearbook of 2013 and the China Energy Yearbook of the same year. It is to be hoped that these data sources will become the first stepping stone that will allow Sandbag to paint a clearer quantitative image for European

decision-makers about what is happening in China and what impact Beijing's policy initiatives are expected to have.

Furthermore, Sandbag is beginning to gain a sense that some of the features of China's pilot ETSs are superior to equivalent mechanisms in the EU ETS.

Finally, Sandbag is beginning to understand the relevance of indirect emissions being included in the Chinese ETS. Indirect emissions are emissions resulting from the generation of electricity consumed by a particular obligated entity, i.e. emissions that are not directly stemming from the industrial processes occurring within an obligated entity. Because electricity generation throughout the EU is already covered by the ETS, there was no need to include them under the EU ETS. However, in China the geographical coverage is much more limited, so, by including indirect emissions, sources outside the cap can also be captured. Furthermore, by making electricity consumers responsible for their indirect emissions Chinese authorities also manage to raise awareness of energy efficiency – another distinct goal of Chinese energy policy. How effective the inclusion of indirect emissions will be in the decarbonisation of Chinese electricity generation as ETSs expand is an area that Sandbag is keenly interested in finding more out about.

Organisation

It has become apparent that in order for Sandbag to keep abreast of the evolving complexity of the climate policies of other major economies, it is necessary to dedicate at least some part of a staff member's time for the purposes of cross-jurisdiction comparison. In order to ensure continuity, this person will be Alex Luta, who has represented Sandbag in this year's twinning exercise. Also, in order to ensure institutional memory, Alex shall also be responsible for the compilation of articles to follow up each of his visits to a non-European jurisdiction with the publication of a report highlighting his findings.

Fortunately, the extensive contacts made during this year's twinning program should have made the task of identifying a partner for future exchanges a much easier task.

Thankfully, due to the high professionalism of the Chinese contacts met during this trip and also due to their readiness to engage with Sandbag, the list of people whom Sandbag can reach out to has snowballed, allowing for much more careful and targeted planning in the case of a future exchange

Public relations

On China Sandbag envisions two directions for public relations: on Chinese matters towards a European audience, and on European matters towards a Chinese audience. On the former, Sandbag has decided to launch a Weibo account addressed at Chinese ETS experts through which Sandbag's research on the EU ETS would be publicised. On the latter, Sandbag is aiming at disseminating the information it has gathered through publications and webinars targeted at European climate policy specialists. Additionally, Sandbag is exploring the possibility of bringing Chinese ETS specialists to Europe, e.g. to events held in the European Parliament, to give European decision-makers to find out directly about the state of climate policy in China.

Additional ideas/expertise

Sandbag is keenly interested in spreading the willingness to engage in activities cutting emissions to areas of the EU that have been somewhat slower to embrace them, such as for instance Eastern Europe. The toolkits developed by GEI, serving to highlight the economic benefits of emissions cutting activities to decision-makers in more remote regions of China, could conceivably be adapted for this purpose in Europe. Sandbag would therefore like to become more familiarised with such and similar tools, and explore their applicability in Europe.

Looking towards the future

As Chinese greenhouse gas emissions continue to rise, the relevance of Beijing's climate policy can only become larger, enhancing Sandbag's commitment to stay engaged with this area. This first visit to China by Alex Luta has opened up the possibility of collaboration in future twinning ventures with newly encountered NGO counterparts. As Chinese climate policy matures, new issue areas relevant to members of Chinese civil society that Sandbag may already have some experience on are bound to emerge. Most relevantly, the question of how to tackle the looming presence of coal in electricity generation is a problem just as relevant in Europe as it is in China. The need to tackle this common problem can easily form the foundation of future collaboration between Sandbag and a Chinese NGO.

Sandbag is also exploring venues to bring academic and/or consultant researchers and policy designers to Europe. As data from the first compliance year of the various pilot ETSs become available, rich discussions of a technical nature around the future design of climate policy become possible. Sandbag's commitment to results-orientated climate policy can be provide the neutral space within which such discussion might be had.

Personal Impressions

The sheer size of China, coupled with its unprecedented economic growth, means that the people engaged in shaping its climate policy have been able to develop a very sophisticated understanding of carbon markets. This serves to offset the relative scarcity of reliable Chinese statistical data upon which to construct an accurate evaluation of the efficacy of policy. To get a full picture of what is going on in China, repeated contacts with a large number of stakeholders – NGOs, academics, civil servants or otherwise – is indispensable. Furthermore, participating in a joint project with one's twinning partner is preferable to solitary interviews with local organisations and experts. Being able to ask one's twinning partner makes it easier to correct possible misinterpretation arising from one's fieldwork than doing so painstakingly through repeated discussions with new contacts. Furthermore, it is easier to ensure that both organisations retain information gathered in the twinning program if participants from both sides learn together something new about their field in the course of the exchange.

Overall, the Twinning program is a wonderful opportunity for members of the civil society of the world's two largest economies to interact with one another. 2014 has been a very encouraging first year, during which Sandbag was able to familiarise itself with the parameters of the exercise and also develop an extensive nature of contacts to draw in

future years. Subject to closer coordination with its future twinning partners, Sandbag will be able to engage in an increasingly meaningful manner with stakeholders in the Chinese discussion on climate change policy, and thereby contribute constructively to the deepening exchange between Europe and China.

ZHU Bingcheng, Center for Legal Assistance to Pollution Victims, Beijing

From the 2nd of October to the 2nd of November 2014 I visited the Sandbag Climate Campaign's office in London as part of the EU-China NGO Twinning Exchange.

Purpose of the Exchange

CLAPV and Sandbag collaborated on a detailed analysis of how the trial carbon markets works in China, looking at available trading data and bringing together media and analysis on the topic. We used CLAPV's expertise on Chinese law and Sandbag's knowledge as a carbon market watchdog in the EU. We also focused on further NGO involvement in influencing China's carbon markets run smoothly.

As the air pollution is getting more and more serious in China, China's government began to explore establishing ETS in some selected areas and cities. Based on this exchange research we want to exchange our experience regarding climate change and environmental protection. Also through this project we hoped to gain a more intuitive knowledge and understanding of the situation of EU-ETS and how to improve the establishment of China's ETS.

Activities

During my time in UK, I met with the IETA (International Emissions Trading Association) International Policy Director Jeff Swart by Skype discussing the situation of China's ETS (Emissions Trading System), China's local pilots overview and the challenges.

I also helped to prepare Sandbag's yearly report about EU-ETS in Brussels, and emailed the MEP to arrange the meeting time about the MSR (Market Stability Reserve).

Moreover, we analyzed the data of the top 3 sectors and the top 3 companies in EU-ETS. Through the analysis we wanted to show the relationship between allowance, surplus, and balance.

I also did a presentation in London Metropolitan University on Oct 29, talking about the Energy Policy in China. With the lecture I introduced the outline of China's Energy Policy. I had a good interaction with the students.

I joined Sandbag's strategy meeting in Cambridge. I gave some advice to them about how to influence the establishment of China's ETS.

I also had the chance to visit the Clean Air Director Simon Birkett in London. We talked about the different air pollution situation between China and UK. In the future, we hope our two organizations can cooperate.

Output of the exchange

CLAPV is a well known grassroots NGO in China, and we have been focusing on environmental protection for almost thirteen years. Before this exchange we have already did some research on China's ETS. Through the exchange we got some new material about EU-ETS which made us realize that if we want to build ETS in China, we need to draw lessons from the EU-ETS.

Furthermore, during the exchange I developed a deeper understanding of European NGOs, and also had the chance to communicate with some new organizations. The exchange, also gave us a bigger platform for China and EU NGOs to exchange ideas and to better push the environmental protection career.

Through the exchange CLAPV and Sandbag would have more cooperation on climate change and the ETS. The exchange also strengthened the cooperation between CLAPV and other NGOs which attended the program. Undoubtedly, we will keep in touch and cooperate with each other in future. In the next year, we will make the annual plan and we want to communicate with more NGOs, then exchange the experience and learn from each other.