

Developing Non-Market Approaches through Regional Cooperation Platforms

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Key Points:

- Regional cooperation platforms in Asia can develop important non-market approaches to help Asian countries achieve their Nationally Determined Contributions (NDCs).
- With increasing trade intensities among Asian countries, the ambition of regional mitigation and adaptation policy can be enhanced by linking climate policies to regional trade and investment.
- China's Belt and Road (B&R) Initiative needs to include mechanisms to prevent participating countries from being locked into carbon-intensive infrastructure and manufacturing.

Articles 6.8 and 6.9 of the Paris Agreement call for using non-market approaches to assist Parties in achieving their NDCs. International and regional cooperation platforms can potentially develop non-market approaches to facilitate green finance, technology transfer, and capacity building that promote low-carbon development. Integrating climate cooperation into existing and new regional cooperation platforms may incentivize Parties to enhance their ambition with respect to mitigation and adaptation. In addition to climate benefits, regional cooperation platforms may also support inclusive economic and social development goals such as poverty reduction, stronger public and private participation, and more environmentally-friendly institutions.

Regional Cooperation Platforms in Asia

Regional cooperation platforms in Asia at the bilateral or multilateral level are becoming an important resource for combating climate change. These platforms can be classified into three categories: regional organizations, multilateral regional initiatives, and transnational organizations. Regional organizations — such as the Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) — have long track records of promoting green development, trade, and investment. Multilateral regional initiatives — including the East Asia Low Carbon Growth Partnership (EALCGP) and Emerging Asia Capital Partners (EACP) — usually have a broader reach in participating countries and thus have extensive

regional impacts. Low-carbon transnational organizations — such as the Renewable Energy and Energy Efficiency Partnership (REEEP) and the Collaborative Labeling and Appliance Standard Program (CLASP) — are focused on specific areas. All these cooperation platforms can assist Asian countries in achieving their NDCs through various types of cooperation in the public and private sectors.

Existing cooperation platforms contribute to mitigation and adaption mainly through low-carbon policy alignment, financial and technical support for green projects, and capacity building. The cooperation platforms in Asia with a sustainability mission can create abundant opportunities in low-carbon development from the perspective of policy, technology, finance, investment, and trade. These cooperative mitigation and adaptation activities involve different stakeholders, including governments, enterprises, academic institutions, and NGOs.

Specifically, these platforms can be used to set regional targets and develop action plans for harmonizing government policies with respect to environmental and development goals. They offer various sources of financial support for green projects and advance local green technologies by means of R&D, technology transfer, and capacity building for local government officials. Furthermore, these platforms provide incentives for green investment in the private sector and boost demand for green technologies and products.

China's Belt and Road Initiative

China's B&R Initiative¹ may have a profound impact on regional climate actions. It is an ambitious regional cooperation initiative that promotes trade, investment, and economic development across 68 Eurasian countries. As China's top-level international policy initiative, B&R was proposed by Chinese President Xi Jinping in 2013 out of geopolitical and economic interests. Although it is mainly intended to foster regional economic cooperation, its focus on energy and infrastructure will influence mitigation and adaptation activities in the countries involved.

First, the economies of the B&R countries tend to be carbon intensive. Per capita carbon dioxide (CO₂) emissions in the B&R countries (at 6.13 tons per year) are significantly higher than global average per capita emissions (at 4.17 tons per year). The economies of the B&R countries are also more carbon-intensive, producing 0.7 kg of CO₂ emissions per U.S. dollar of GDP, compared to a global average level of 0.44 kg CO₂ per dollar of GDP. Without appropriate regulations, accelerating infrastructure development in the B&R countries will further increase carbon emissions.

Second, China may relocate its excess industrial capacity to the B&R countries. China currently has excess production capacity in several carbon-intensive industries, such as rolled

1 "Belt & Road" is short for "The Silk Road Economic Belt and the 21st-Century Maritime Silk Road."

steel, electrolytic aluminum, cement, plant glass, crude steel, and thermal power. Moreover, its capacities in rolled steel, electrolytic aluminum, and thermal power are still growing, exacerbating the overcapacity concern. Since one objective of the B&R Initiative is to increase international demand for Chinese products from these carbon-intensive industries, there is concern that the Initiative could have unintended consequences in terms of increasing carbon emissions.

Realizing the potential environmental and climate risks, China has been increasingly stressing the importance of green B&R. On the one hand, as the largest GHG emitter in the world, China has promised to ensure that its carbon emissions will peak around 2030, as part of its NDC under the Paris Agreement. Incorporating carbon emission standards into the B&R Initiative will reduce leakage and help China establish global climate leadership.

On the other hand, China aims to resolve the issue of excess capacity by optimizing its industrial structure — for example, shutting down backward production facilities and subsidizing green industries. As China is gradually gaining competitive advantage in green technologies and products, the B&R Initiative has the potential to become an important platform for promoting low-carbon development and increasing climate-mitigation ambition by decarbonizing China's outbound trade and investment.

Conclusion

There are many challenges to using regional collaboration platforms and the emerging B&R Initiative to advance non-market approaches that can help Asian countries achieve their NDCs. First, because most existing regional cooperation platforms are mainly focused on governments and academic institutions, it will be important to facilitate the participation of energy and infrastructure enterprises, in both the public and private sectors. Second, the effectiveness of climate cooperation projects under existing regional platforms might be limited, because most activities are voluntary. Cooperation aimed at aligning policies and coordinating regulations among the Asian countries may be more effective. Finally, trade intensity between China and the other B&R countries is steadily increasing. A green trade and investment assessment system needs to be designed to enhance and ensure a green B&R.