

China's path to decarbonisation

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Energy security has always occupied a central place in China's policy agenda. The [power shortage](#) the country experienced last year and the recent [turbulence](#) in international energy markets seem to have vindicated that centrality.

Central government officials repeatedly stressed the importance of energy supply security at the Two Sessions in March – an annual gathering of the two major organisations, the National People's Congress (NPC) and the Chinese People's Political Consultative Conference, that make national-level policy decisions.

In the [Economic and Social Development Plan](#) for 2022, energy security is considered 'a precondition for steadily progressing low-carbon development' and to provide 'vital support for achieving the five-year energy intensity reduction targets from 2021 to 2025'.

This reflects the fact that coal remains a key aspect of China's current approach to ensuring energy security. In a speech delivered to NPC's delegation from Inner Mongolia during the Two Sessions, President Xi Jinping [said](#) that low-carbon transition is a process that cannot be achieved 'overnight' and China could not simply 'slam the brakes' on coal production.

Meanwhile, the National Development and Reform Commission – China's top economic planning body – [announced](#) that it will increase annual coal production by about 300 million tonnes and attain a national coal stockpile of 620 million tonnes.

It is in this context that China's coal consumption grew by [4.7 percent](#) in 2021, reaching a record high of [4.07 billion tonnes](#). In the first two months of 2022, the country's coal production reached [687 million tonnes](#), up 10 percent compared to the same period last year, according to official statistics.

China's rising coal consumption raises [concern](#) that the country's climate commitments are weakening. This concern is heightened by the Chinese government's increasingly cautious tone when referencing the country's climate policies.

The Central Economic Work Conference last December [emphasised](#) the importance of coal in China's energy security and the necessity of replacing and upgrading coal consumption in an orderly manner, calling on the country to [support](#) the clean and efficient use of coal.

This shift in tone may signal that the Chinese government is looking to take a more cautious approach to energy decarbonisation given global energy instability. It is unlikely this would lead to any real change in the

country's climate commitments, but rather produce a more pragmatic and rational approach to fulfilling them that has a stronger focus on energy security.

What this would mean in practicality is that China would demote coal to a supportive role in facilitating the process of energy decarbonisation before a complete phase-out of unabated coal generation.

The National Energy Administration provided several responses to submissions to the National Committee of the Chinese People's Political Consultative Conference during the Two Sessions this year.

One response clearly [indicated](#) that, 'in principle', it will not permit the construction of new coal power projects exclusively for electricity generation, but also stressed the possibility of building 'supportive units' of a 'certain scale' to ensure supply sufficiency and provide flexibility services to moderate-variable renewable generation.

The 2022 Report on the Work of the Government also [called for](#) a transformation of coal power to provide flexibility services to support higher levels of renewable penetration, as well as to provide heating – both industrial and residential – to reduce the use of emissions-intensive loose coal for that purpose.

Any change of coal policy in China will also affect the quantity and price of Australia's coal exports, and so it has a particular interest in closely monitoring China's coal policy development.

In all, China's cautious and steady approach to decarbonisation is off to a good start. That said, attention should also be given to preventing coal's role in this transformation from growing in an unplanned way – especially the risk that it is hijacked by coal-related interests seeking yet another lifeline.

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