

Despite their trade row, China and the EU face similar challenges to energy security and conservation.

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*The recent trade dispute over solar panels shows the fraught relations between China and the EU over energy. **Justine Doody** writes that the current quarrel could pit the two against each other in a wider struggle. For now, technical rather than political cooperation seems the most both sides can hope for.*



The EU announced at the beginning of June that it will impose anti-dumping tariffs on Chinese solar panels. Chinese manufacturers will be hit with duties ranging from 37.3% to 67.9%, with the average tariff being 47.6%. As a response, China has hit back and launched an anti-dumping and anti-subsidy inquiry into sales of European wine.

The EU measure is aimed at protecting European solar module manufacturers from the oversupply caused by Chinese companies, and follows US anti-dumping measures put in place in October 2012. But some European trade groups oppose the tariffs, saying that the EU market needs the lower-priced Chinese panels to encourage uptake of solar technologies, creating jobs and helping the EU meet its renewable energy targets.



Credit: Friends of Europe (Creative Commons BY)

The controversy offers a good example of the fraught nature of the EU-China relationship on energy. With deep interconnections between the two sides in trade and in energy markets, the interests of the EU and China converge in some instances while still coming into conflict elsewhere.

The EU began discussions with China on clean energy cooperation as early as 1994. Together, the Chinese State Development and Reform Commission and the European Commission launched a jointly funded five-year EU-China Energy and Environment Programme in 2004, aimed at developing energy efficiency and renewable energy projects. In 2005, at the EU-China Summit, a bilateral Partnership on Climate Change was announced, and the dialogue was upgraded to ministerial level in 2010. In 2009, the European Commission and the Chinese National Energy Administration set up the Clean Energy Centre (EC²) cooperation project to promote renewable energy and biofuels. And in 2012, the EU-China Urbanisation Partnership was launched, which focuses on sustainable urban development, including initiatives to support green transport, environmentally sustainable housing and greater use of sustainable energy in cities.

The two sides have many reasons to work together. In 2012, China and the EU between them **accounted** for 35% of the world's energy consumption, as well as 28% of energy-related carbon emissions. Both sides face serious challenges to their energy security: by 2030, both are likely to be importing 80% of their oil. The two are in competition over diminishing petroleum resources around the world, including the gas reserves of Central Asia, and both need to lessen their dependence on foreign sources in order to avoid potential international friction.

The EU has long been a leader in efforts to combat climate change, and China is facing environmental degradation as a result of global warming, which threatens its water supply and its harvests. The EU is China's biggest export market, and the EU's trade with China is growing: in 2011, EU exports of goods to China were worth \$209.27 billion, while imports from China totalled \$445.2 billion. So, it makes sense for the two to cooperate on ensuring their energy security and limiting climate change's damaging effects by driving progress in renewable energy. In so doing, they could build a renewable energy industry that could bring economic benefits to both sides.

China fails to put environmental policies into practice

EU-China technical cooperation on renewable energy has yielded some results, in tandem with China's new policy focus on increasing the use of sustainable energy sources, as outlined in its twelfth five-year plan, which calls for 11.4% of primary energy consumption to be taken from renewable sources by 2015. Jointly funded programmes on, for instance, Carbon Capture and Storage (CCS) have led to progress in developing more efficient technologies, and China has benefited from technology transfer and policy examples from the EU. The country has overtaken the US to become the world leader in renewable energy investment. In 2012, China **put** \$65 billion into renewable energy, up 20% on its 2011 total.

But, as in other areas of cooperation with China, progress towards greater renewable energy use has in part been stymied by China's failure to implement agreements and regulations at local and regional levels. In its Renewable Energy Law in 2005, China laid down strict targets for incorporating renewable energy into the national energy mix. However, much work still needs to be done before the grid is able to easily take on power from the new sources. And local operators at times fail to make use of new technologies, even when they are available to them, because they fear that technologies such as carbon capture could add extra operating costs.

The Bertelsmann Foundation's Sustainable Governance Indicators **project** concludes in its China report that "policy initiatives have been launched in selected localities to propel implementation of sustainable development policies [...] On the whole, however, implementation of environmental policies remains seriously inadequate." In the assessment of its environmental policy China scores here only 2 out of 10 possible points.

"Common but differentiated responsibilities"

Meanwhile, on the international level, the solar panel schism indicates the two sides' disunity. China's main concern is its economic development; its new urgency on renewable energy is primarily intended to help it continue to grow without facing energy shortages. So, it maintains its focus on "common but differentiated responsibilities". The EU contends that developing economies and developed countries both need to bear the responsibility for halting climate change. China says that as an emerging economy, it deserves some latitude to bring its economy up to speed before it has to make the same concessions as the developed countries.

To support its claim, it has made use of its other international partnerships, such as the BRICS grouping, which has been unified in arguing for sustainable development rather than environmental protection. At Copenhagen in 2009, China used its BASIC country partners, Brazil, South Africa and India, to derail efforts to replace the Kyoto Protocol with a new treaty. And China has tried to exploit the divided nature of the EU to undermine the union's ability to present a united front for discussion. For example, China has **sought** to enlist France's help in making sure EU trade remedies on solar panels are used "cautiously".

The solar panel issue could pit the two sides against each other in a wider struggle: China has threatened to strike

back by putting tariffs on polysilicon supplies from Europe and the US, and has complained to the WTO about EU subsidies to solar developers. In this climate, technical rather than political cooperation seems the most promising outcome for which the two sides can hope.

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About the author

Justine Doody

Justine Doody is the English-language editor of *China Analysis*, a quarterly survey of current thinking in Chinese academic and policy circles, published by the [European Council on Foreign Relations](#) in cooperation with the Asia Centre in Paris. She is also an editor for [EUCAM](#), the Europe-Central Asia Monitoring programme, coordinated by FRIDE and a writer for the Bertelsmann Stiftung's [SGI News](#).



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