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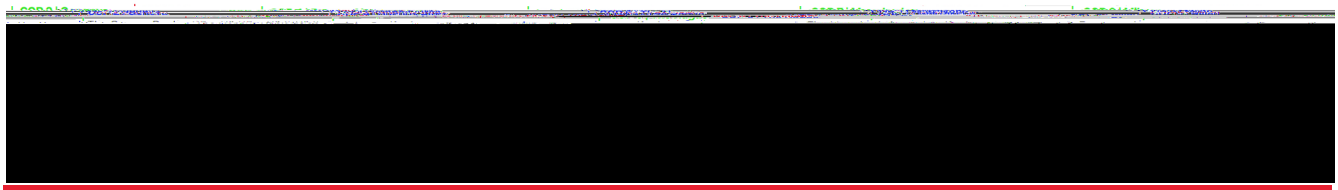
POLICY BRIEF

Figure 1: The evolution of COPs

ESTABLISHING FOUNDATIONS AND THE KYOTO PROTOCOL



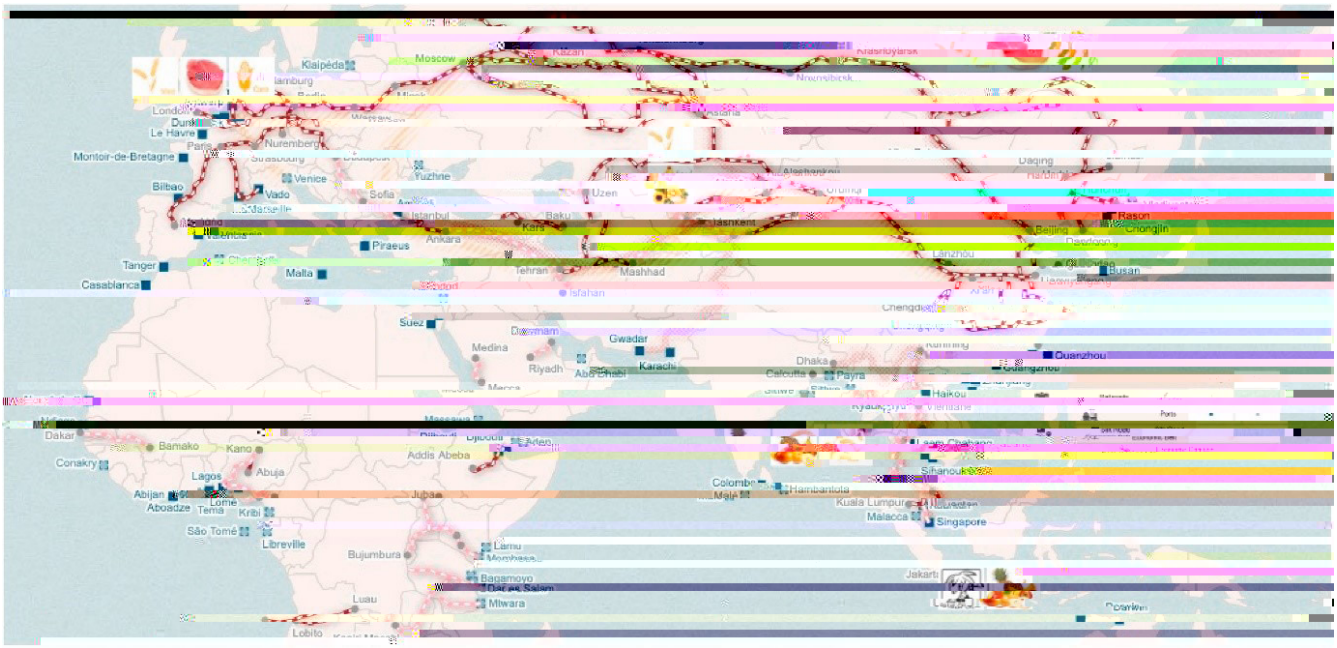
TRANSITION, POST-KYOTO DISCUSSIONS AND COPENHAGEN ACCORD

Source: Developed by authors

climate action.[3] Table 1 summarises major declarations and China's endorsements of them at COP28. As shown in Table 1, China has signed agreements on agriculture, nature, gender and health, but notable absences elsewhere leave it with a mixed stance on critical environmental and climate issues, although this will not affect China's efforts to actively responding to climate change as China has been the country with the largest installed capacity of renewable energy in the world every year for many years. Given the multitude of aspects, this analysis will specifically concentrate on four key areas: agricultural transformation, energy transformation, climate finance and the carbon market—also the main points of discussion at the event.

For the first time in thirty years, agriculture and food systems took centre stage in a COP. The signing of the COP28 Declaration on Food and Agriculture by 159 countries highlighted an integral recognition of the interconnectedness between climate change and food systems and emphasized the urgency of adopting an integrated approach to climate action that transcends conventional disciplinary boundaries. The acknowledgment embedded in the Declaration conveys an understanding of the dual role of agriculture both as a contributor and a potential solution to climate change. This recognition will facilitate efforts to implement practices within the agricultural sector that effectively mitigate greenhouse gas emissions while concurrently promoting sustainable food productionmitigateit2t

Figure 3: China's emerging Food Silk Road



Source: Tortajada and Zhang, 2021.[10]

Central Asia, South Asia, the Middle East and Africa, aiming to avoid reliance on a single country or region (Figure 3). At the same time, China is expanding its agricultural operations overseas and become a key player in agricultural investment and related infrastructure including farmland, most notably in South America and in Africa for soybeans, meat, palm oil and so on. This global agricultural diversification strategy not only ensures China's food security but also allows China an ambitious opportunity to implement significant transformation in the domestic agricultural and food system.

However, it's important to note that both food imports and overseas agricultural investment are likely to have various environmental impacts on trading partners and investing countries, such as deforestation, water pollution and greenhouse gas emissions. Efforts to promote sustainable practices, adherence to environmental standards and collaboration between countries may help mitigate these negative environmental impacts.

The latest COP28 draft, calls for a 'transitioning away'[11]–not 'phase-out'–from fossil fuels. An opinion from Financial Review defined this as "another case of geopolitical and energy realities continuing to challenge the direction and pace of the energy transition and ultimately climate policy".[12]

Historically, global north countries—including US, Canada, Australia, Norway and the UK—have been deeply committed to wean the world off coal, oil and natural gas. While both Norway and EU expressed intent to push for fossil fuel 'phase out' following draft text, Australia took a toned-down stance by defending the term 'unabated coal' using a football analogy, suggesting a justification for continuing certain activities without immediate emission reductions. The UK advocated for 'guardrails' to ensure substantial carbon capture, demonstrating a proactive stance on robust carbon reduction measures. Through a different negotiating strategy, Saudi Arabia advocated for a focus on emissions rather than energy sources, implying a potential continuation of reliance on traditional energy sources while addressing environmental concerns.

Other key players, such as India, Russia and China, played pivotal roles with varying approaches too. India was not actively engaging or taking a vocal stance on this debated topic, but Russia has explicitly come out against a fossil fuel phase-out. China neither supported nor [illegible]es. T[illegible] reein-[illegible]rs', [illegible]les

On the other hand, new research reveals that the five global north countries—US, Canada, Australia, Norway and the UK—are intending to augment their oil and gas production by 2030 and are accountable for 51 per cent of the projected oil and gas expansion until 2050;[16] China continues to authorise the construction of new coal-fired power plants with over 50GW of new capacity commencing last year, to stabilise prices and ensure a secure electricity supply;[17] India currently has 27GW under construction but has announced to incorporate 80GW of thermal power, coal-based, by 2031-32 due to an 'unprecedented rate' of increased power demand in the

the COP29 in Azerbaijan. This could disrupt the efforts of global rule-makers, impeding their ability to effectively navigate and meet commitments regarding carbon credit transactions. It is particularly relevant for countries, including Singapore, engaged in preliminary deals to purchase carbon credits for meeting emission targets.[32]

The breakdown in negotiations will inevitably lead to increased uncertainty in the development of the voluntary carbon market. Without an agreed cooperative mechanism, countries will prioritise own interests, independently constructing or developing domestic carbon markets. The US' Inflation Reduction Act and the EU's Carbon Border Adjustment Mechanism are typical cases. The interconnection of relatively well-established national markets will then give rise to regional markets. This scenario presents challenges for China as it works to enhance its domestic carbon market and participate effectively in the international carbon market. This is because regional carbon markets, not completely multilateral, form climate alliances or clubs among two or more countries. Carbon credits trade within these alliances and clubs, usually involving countries with similar climate goals and market rules. Developed countries, particularly in Europe and North America, are most likely to dominate regional carbon trading due to advanced mechanisms. For example, the G7 has included the establishment of a 'climate club' in the scope of discussions, and the US and EU have tried to reach an agreement on the Global Arrangement on Sustainable Steel and Aluminium. In contrast, developing countries face significant barriers in regional carbon trading due to limited domestic markets and disparities in scale, mechanisms and rules. For example, China's carbon market has potential, but low demand and transaction volume might hinder its

China's stance at the COP28 demonstrates resilience against external pressures, particularly evident in its approach towards formal declarations and substantive commitments. This resilience suggests that: on one hand, China will determine its own path without being influenced by other countries. Despite facing challenges in addressing the agri-food transition while ensuring food security in the long term, China has exhibited a growing interest in shaping global governance in food security. We believe China will continue strengthening agricultural investment, deepening technological cooperation and expanding climate finance bilaterally with developing and vulnerable countries globally. On the other hand, China's climate policy is likely to continue evolving in response to competitive pressures and emerging opportunities. China will continue to deepen reforms in the energy system with an unwavering commitment to emission reduction; and additionally, the country emphasizes the importance of forging robust strategic relationships to maximize cooperation in the evolving landscape of carbon markets. Finally, China intends to unveil its 2030 and 2035 national climate targets (including methane) within the framework of the Paris Agreement by 2025. The recent stabilisation of the US-China relationship provides necessary conditions, but there is a belief that any potential political messages arising between now and then will create significant impact over China's climate policies and will shape China's decisions in 2024/5 over a series of issues

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