

# *Greening China's Competitiveness: Advancing Low-Carbon Competitiveness in Economic and Technological Zones Phase II*

*August 1, 2013, Tianjin*

In August, 2013, the International Institute for Sustainable Development (IISD) and the Low Carbon Promotion Center of the Tianjin Economic-Technological Development Area (TEDA) convened a workshop in Tianjin, China, to discuss how low-carbon standards can be used as a policy instrument to accelerate the development of competitive green enterprises in economic and technological development zones administered by the Chinese Ministry of Commerce. This project is coordinated by the Chinese Ministry of Commerce with support from the Swiss State Secretariat for Economic Affairs. Participants included representatives from companies in TEDA, experts on low-carbon development and enterprises, Tianjin Climate Exchange and the Zhenjiang Development Zone.

## **Phase II Finding: Adoption of Carbon Management Standards**

In Phase I, it was found that Chinese businesses face conflicting standards. Companies are facing growing demands to begin measuring and managing carbon, and are unclear as to what methods to use. Zone managers need better understanding of the management standards on offer to determine which to use and in what ways. Therefore, in Phase II, in collaboration with the Chinese National Institute of Standardization (CNIS), the project set out to focus on **a comparative analysis of carbon management standards developed internationally and currently in use in China, with a view to determining which would be most relevant to the Chinese context**. Together with CNIS and zone managers, IISD identified 20 enterprises to interview across Beijing, Tianjin and Zhenjiang, using a research instrument developed jointly to enable an enterprise-level analysis of carbon standards adoption, under ongoing review of the changing Chinese policy landscape.

The analysis to date has enabled some initial conclusions, including that the use of carbon management standards in China is extremely low at this stage and, even for those in use, is largely confined to measurement and reporting. Companies using standards are generally using those dictated by global corporate headquarters, where international companies are concerned, or clients, where the companies are part of global supply chains. There appears to be no significant domestic Chinese drivers at this stage; where standards are used, there is very little variation in an underlying approach, despite differences in the origin and "brand" of the standard.

## Implications: Lack of Incentive

**Findings to date suggest that inadequate incentives, not technical specifications, are the principle constraint to the increased uptake of carbon management standards in China.** The discussion took place surrounding and beyond five aspects of incentive that are currently the most relevant: clients' demands, the requirement for publicly listed companies, zone-level administration, national policy and voluntary initiatives. Representatives from Novozymes, Foxconn and Markor Furniture, among others, reflected the effects of downstream clients, global headquarter initiatives and domestic regulatory measures, all of which seem to be key in driving company practice. Chen Xiaohong, senior research fellow at the Development Research Center of the State Council, recognized the potential significance of advanced actions imposed on publicly listed companies.

## Ways Forward

These implications suggest that the next steps to identify under-exploited options for enhancing incentives, for example public procurement, are to: build capacity of development zones to increase awareness and execute incentives; explore how zones might best be supported to grow their capacity to support low-carbon enterprise, both in knowledge provision and through incentives; and measure the performance of zones in encouraging low-carbon enterprise.

Comments are welcome in Chinese or English to Project Coordinator Kelly Yu ([xwykelly@gmail.com](mailto:xwykelly@gmail.com)) or IISD China program ([iisdchina@gmail.com](mailto:iisdchina@gmail.com)).

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