

China makes a national push towards carbon neutrality

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After experiencing a huge economic decline brought about by the COVID-19 pandemic, economies in developed countries have still not recovered to their pre-crisis levels. On the other hand, the Chinese economy underwent an unprecedented slump at the beginning of last year, but then recovered step by step and recorded strong real GDP growth of 6.5% YoY for the October-December quarter last year. It also maintained positive growth for 2020 (2.3% YoY) – the only major country or region to do so (Chart 1). Currently, it appears domestic consumption and investment are supporting growth of the Chinese economy and the country is succeeding in terms of both suppressing the spread of infection and maintaining economic activities.

At the Central Economic Work Conference held last December, the government announced its basic plan for economic policies in 2021 and raised eight key missions, including “strengthen its competitiveness in strategic science and technologies” and “push forwards with plans to achieve carbon neutrality”. Shifting to electric vehicles (EV) in China was already a topic of conversation in relation to decarbonisation, but with the announcement at the start of January that a large Chinese IT company will start an EV manufacturing and sales venture, there is now growing interest in the future of this trend. New energy vehicles (pure electric vehicles, plug-in hybrid vehicles and fuel cell vehicles) account for around only 5% of China’s automobile sales as of 2020, but it is said that this share will increase sharply in the future. For instance, in the “Energy-Saving and New Energy Vehicle Technology Roadmap 2.0” published by the Society of Automotive Engineers of China in October last year, targets were put forwards for the ratio of new energy vehicles: around 20% in 2025 and around 50% in 2035 (Chart 2, upper). Using this target to calculate the ratio for this year (2021) and then applying this to the estimate for the total number of automobile sales for the same year published by the China Association of Automobile Manufacturers reveals the growth of new energy vehicles will drive the overall growth of sales (Chart 2, lower).

It is unclear at present as to what the marginal impact of progress in decarbonisation will be on the economy as a whole this year. However, given the ongoing global competition over technological developments, it is thought that China will focus on this area on a national level. China’s drive to decarbonise is in line with the global trend and it is possible that a move towards an environmentally conscious economy will contribute to achieving sustainable growth

of China's economy and improving its international presence in the mid-to-long term. It will be important to keep an eye on developments in the future.

Chart 1: China's Real GDP Growth Rate

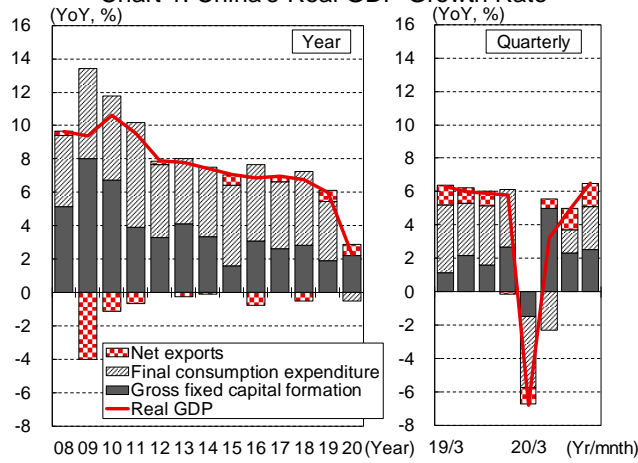
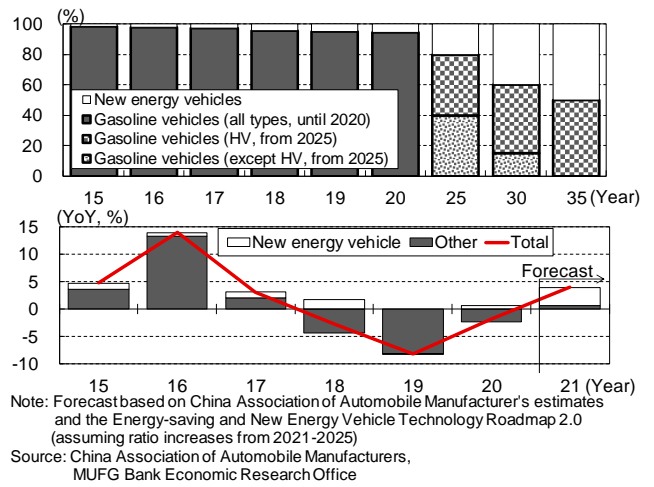


Chart 2: China's Number of Automobile Sales



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