

*7th International Policy Advisory Group (IPAG) Meeting:
Asia's Growth and Development Challenges after the Global
Financial Crisis, Roundtable Session, organized by ADB & EI*

Setting up an Institutional Framework for the Development of Ecological Civilization & Green Transformation in China

Prof. Dr. WANG Yi

CAS Institute of Policy and Management

ADB HQs, Manila, Philippines

4 August 2015

Outline



Progress of Building an Ecological Civilization



Current Problems for Institutional Arrangements



Potential Recommendations



Path Dependence of Green Transformation & EC Construction

- **Policy development path/inertia:**
 - New idea
 - Plan with targets
 - Pilot & program
 - Scaling up
- **Highlights for building an Ecological Civilization (EC)**
 - **Setting up institutions/regulations first**
 - **Governance improvement:** top-down institutional arrangements
 - Reform and innovation-oriented
 - Greening/ Greenization or integration
- **Green transformation in new normal ?**
 - Economic restructuring by environmental driver
 - Green industry development: resource/energy efficiency, environmental service, clean energy, new energy vehicle



Report of the 18th National Conference of CPC (Nov 2012)

- Significant ideas of building an ecological civilization in the Report
 - Orientation: **Five-in-one**, integrating ecological civilization into the whole process of economic, social, political and cultural development
 - Principle: Efficiency first; protection first; natural recovery predominant
 - Main Tasks:
 - ✓ Optimize spatial pattern of national land;
 - ✓ comprehensively promote resource conservation;
 - ✓ enhance efforts on ecosystem and environment protection;
 - ✓ institutional building for ecological civilization
- Not only the Chinese version of sustainable development, but also the governing philosophy of new generation of government, combination of concept, institutions, and actions



Ecological Civilization by the 3rd plenary session of 18th CPC Central Committee (2013)

- **Decision on Major Issues Concerning Comprehensively Deepening Reforms (2013)**
- Strengthening the systems reform, institutional building, governance capacity and governance modernization
- To build an *Ecological Civilization* will follow the principles, key points:
 - **make the market a decisive role** for resource allocation
 - play a better role of government
 - protect the environment based on the **institutional arrangements**
 - build an environmental governance system



New Document on Speeding up Ecological Civilization Construction (April 2015)

- ***Opinions on Further Promoting the Development of Ecological Civilisation*** by the CPC Central Committee and the State Council (25 April 2015)
 - **Greening/Greenization/Integration** of production pattern and consumption pattern
 - **Basic path to EC:** Green development, low-carbon development, and circular economy development
 - **Main drivers:** reform & innovation-driving
 - **Mainstreaming** the core value of EC, institutions, and action
 - **Increasing** a green competitiveness in a global context
 - **Speeding up** the **institutional arrangements**
- **Key institutional arrangements:**
 - Legislation
 - Standard system
 - Natural assets and property right
 - Environmental regulatory system
 - Resource cap and environmental redline
 - Economic policies
 - Market-based instruments
 - Eco-compensation
 - Performance evaluation
 - Responsible system



Forthcoming Documents on Ecological Civilization Construction (2015)

- **Guideline of the 13th FYP by the CPC central committee (Oct.)**
- **System reform scenarios for Ecological Civilization Construction (comprehensive document):** property right of natural assets, spatial planning, resource mgmt., ecological conservation, environmental protection (eg. market instruments), administrative system, performance evaluation, leadership.
- **Some regulations and policies have been released (July 1):**
 - Regulatory measure on environmental protection
 - Ecosystem and environmental monitoring network
 - Off-office auditing of natural assets
 - Leaders' lifelong accountability system for environmental damage
- **More will be coming at the 2nd half of 2015**
 - Eco-Redline
 - Eco-compensation, etc.



Difficulties for Ecological Civilization Construction in new normal

- **Make a balance/tradeoff in a transitional period:**
 - Development vs. Environment
 - Economic growth vs. Restructuring
 - Supply side vs. Demand side
 - Top-down vs. bottom-up approach
 - East, middle and west disparity
 - Addressing the pollution control, eco-reconstruction, energy transition, employment creation, social stability issues at same time; co-benefit and co-control
 - Rebound effect and uncertainty managements
- **Green transformation and green economy development crucial in a context of economic slow down and new normal, **systems solutions needed****



Problems for enforcement of Ecological Civilization institutions

- **Current problems of institutional arrangements:**
 - Administrative system reform and integrated legal framework needed
 - Coordinating mechanism and governance structure: among ministries; trans-jurisdiction; central and local; government, enterprise, and the society
 - Institutional arrangements: design defect, conflicts each other and with existing laws/regulations, endowment too fast or too slow (such as national park arrangements)
 - Deal with the multi-purpose/function and diversity of ecosystem and natural resources at local level, unified indicator and policy by region
 - Role of new market of environmental factors, such as water right, emission permit or allowance, ETS, etc.
 - Effective regulations for resources/emissions cap control and environmental quality improvement
 - **Lack of Incentives or institutional arrangements for green economy**
 - ✓ Green investment crucial, prevent the lock-in effect for production capacity and infrastructure
 - ✓ Mechanism to avoid pollution transfer/leakage
 - ✓ Eco-innovation
 - ✓ Eco-compensation insufficiently and unequally for middle/west and ecological vulnerable areas



Future's institutional arrangements: Legislation

- Set up a “*Guidance of Green Transformation and Development*” by the CPC central committee and the State Council
- Revise the “Circular Economy Promotion Law” based on new integrated approach
- Draft a “Addressing Climate Change and Promoting Low-Carbon Development Law”: emission peaking and carbon cap management
- Add a carbon tax in drafting the Environmental Taxation Law
- Strengthening enforcement and justice continuously



Institutional Arrangements for Green Development

- **Institution/regulation/policy Framework for Green Transformation/Development:** best practice in other countries and pilot experience domestically
 - Spatial layout and planning (Germany, Japan)
 - Energy and Economic transformation (Germany)
 - Eco-design (EU, US)
 - Domestic CDM (UN)
 - Standard/benchmark (sector based: energy efficiency, resource efficiency, carbon footprint) (both EU, US, and Japan)
 - Eco-innovation (EU and US)
 - Eco-compensation (for upper reach of basin, middle and west areas)
 - Eco-labeling (EU)
 - **Green financing** (EU and US) : green policy bank, green development fund, green bond, insurance, guarantee and rating system, taxation, subsidy for green industry/remove subsidy for fossil fuel, gov't procurement, price mechanism reform, and other favored policies
 - Information Disclosure and CSR, etc.



Administrative System and Governance Reform

- **Governance of governmental sector**
 - **Coordinating mechanism**: regulations and procedures
 - ✓ NDRC and MIIT: energy conservation
 - ✓ Departments under NDRC
 - new **Mega-ministries** needed for energy and climate change, resource management, pollution prevention and control
- **Renew regulations within ministries**
 - unify regulations for green economy
 - administrative permission
 - preferential policy
- **Establish a vertical regulatory system at the provincial level, remove local EPB under the county level**
- **Establish the trans-jurisdiction and river basin management authority**
- **Strengthening information disclosure and public participation step by step**



Planning, Statistics and Performance Assessment

- **Long-term plan or roadmap for green transformation development, esp. for middle/west area**
- **Investing the environment/natural capital as one item of fixed assets investment in statistical system**
- **Indicator system of green economy**
- **etc.**



Improving current regulations and policies

- **Recognize the role of market of environment factors:**
 - develop the ETS gradually based on 7 pilots, establish the national market through a regional market such as Beijing-Tianjin-Hebei
 - Regulation system first for the new type of market
 - Regional pilot for water market, emission permit market
- **Improving existing policies:**
 - Remove obstacles for PPP
 - Change current VAT policy on environmental service industry
 - Develop the national park in a systematic design for all natural reserve areas
- **Enhance capacity for institutional arrangement:**
transparency, consultation process, research and develop.



International cooperation

- Explore a New development model with integrated tech. (smart+green)
- Energy transformation / Greenization
- Advanced energy/resource efficiency tech, clean and renewables tech package, green tech transfer, etc.
- Best practice sharing: policy, management, standard/benchmark system, business model, etc.
- Systems innovation and institutional arrangements: such as, new environmental market by region
- Policy analysis, such as, comprehensive assessment, integrated planning, regional development, roadmap/trajectory assessment for decarbonization/green transformation (multi-step simulation), PPP vs. Gov't direct investment, supply chain/lifecycle analysis
- Management model: fine management, adaptive management, management of uncertainty and transition
- Modelling development
- *Building cooperation platform, like Think Tank alliance*
- South-South Cooperation





谢谢关注!

Thanks for your attention!

wangyi@casipm.ac.cn

中国科学院科技政策与管理科学研究所
Institute of Policy and Management, Chinese Academy of Sciences

