

Carbon Management in China: The
Effects of Decentralization and
Privatization

for

*The Rise of China and Its Energy
Implications*

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- 2012 leadership transition puts China at a crossroads: more planning or more market?
- Will the trend toward decentralizing and privatizing China's economy, and especially its impact in creating a diffuse energy policy, continue?
- What government and Communist Party organizational changes have occurred recently?
- Will the influence of state energy enterprises as primary energy policy decision-makers continue at central level?

General Targets of National 12th FYP (2011-2015)

- Economic growth annual 7%
- 45 million new jobs
- Urban unemployment kept to 5%
- Inflation to be kept to 4%
- Increased domestic consumption
- Double GDP per capita to \$10,000 by 2020
- Service sector value-added output to increase 4% to 47% of GDP
- Reform monopoly industries to increase competition
- Encourage enterprises to list on stock exchanges
- Urbanization rate to increase 4% to 51.5%
- Life span per person to increase one year (1.4 billion)
- 10% of all residents to be listed as community volunteers

Energy Sector Targets of National 12th FYP (2011-2015)

- First FYP to address climate change
- Reduce energy consumption per unit GDP by 16%
- Reduce CO₂ emission per unit GDP by 17%
- Non-fossil fuel to account for 11.4% TPEC
- Priority investment in “emerging strategic industries”
 - New-generation information technology, **energy-saving and environmental protection**, **new energy**, biology, high-end equipment manufacturing, new materials and **new-energy cars**
- National energy sector plan to follow later in “harmonization” of national energy sector and local FYP
- Former NEA Director Zhang Guobao:
 - China to cap total energy use 4 billion TCE (3.5 fossil fuel)
 - Debate over nuclear power
 - Shale and unconventional gas to be explored

Energy Sector Targets of National 12th FYP (2011-2015)

- Tracking: Premier Wen Jiabao said, “well-equipped statistical and monitoring systems for greenhouse gas emissions, energy conservation and emissions reductions” will be created.
- Introduces a “10,000 Enterprise Plan” of energy efficiency, following the “1,000 Enterprise Plan” of 2006-2010. Details TBA.
- Promotes development of Energy Service Companies (ala Lawrence Berkeley Lab joint projects in Shanghai)
- Wind: 70 gigawatts of additional installation
- Nuclear 40 gigawatts of additional installation, above current 10 gigawatts; WRI: on target for 70 by 2020. Note that 3/15/2011 State Council announced suspension and review of all new projects
- High speed rail: 35,000 km of new tracks, connecting every city greater than 500,000 population (approx 115; 50 over 1 million)
- Urban transportation: Green light to continue developing subways and also regional transportation hubs (e.g. Hongqiao in Shanghai)

National Energy Policy Bodies:

- 老样子 (lao yangzi = nothin' new) in near future
- Under-powered National Energy Administration
- Non-expert regional development leadership small groups and NDRC
- Disproportionate relationships to NOCs and energy companies in Central Committee
- Disproportionate relationships to NOCs in Politburo
- Continued use of nomenklatura system of Party control over NOCs
- Unclear leadership transition approaching 2012: will CPC poach more NOC leaders for Politburo, CPC-CC?

Is Chinese government recentralizing and re-nationalizing the energy industry?

A new energy authority:

Let us compare the National Energy Commission (国家能源委员会) to previous leadership small groups (领导小组) tasked with “developing the West” “revitalizing the Northeast and old industrial areas” and its predecessor, the energy leadership small group, in the personal experiences, connections, organizational ties of its members

- Develop the West Leadership Small Group:
 - 21 of 27 served in localities, 7 in West, average of 1.3 each
- Revitalize the Northeast Small Group:
 - 24 of 31 served in localities, 8 in northeast, average of 1.5 each
- Energy Leadership Small Group (ala 2005):
 - 4 of 16 served in energy enterprises: coal, power, oil, chemistry
 - 13 of 16 served in localities, with average of 1.4 each

- National Energy Commission 2010 (23):
 - Ministers of: Foreign Affairs, Social Security, Worker Safety, Transport, Water Resources, Security, Commerce, Finance, Environmental Protection, Banking, Science and Technology, Land and Resources (16 are CCP-CC; 2 Politburo members)
 - Have most experience on demand side
 - None with state energy enterprise experience, except Wen Jiabao; mainly finance and central industries
 - Only 14 of 23 have worked in a local government, with average of .9 each

- **Central Committee Energy Expertise:**
 - 16th CCP-CC (2002-2007) had 23 of nearly 200 full members having served in an energy related enterprise: coal (3), power (4) petrochemical (10); oil and gas (6); including 5 of the 25 Politburo members (who averaged 2.3 localities each)
 - These energy cadres represent much of the 1/3 of CCP-CC coming from state enterprises
 - 17th CCP-CC (2007-2012) has at least as many, with 9/60 full members and 3 alt. served in oil/gas alone; and 6 of 23 Politburo members (2.5 localities averaged by each)

- Which top Party leaders with energy ties will continue forward in to 18th Central Committee and its Politburo?
- Most should be born after 1946, and definitely after 1943
- Retiring:
 - Zhou Yongkang: Politburo, Security, CNPC (1942)
 - Liu Yandong: Politburo, Econ, Chemical (1945)
 - He Guoqiang: Politburo, Econ, Chemical (1943)
 - Li Yizhong: CCP-CC, Info-Tech, Sinopec (1945)
 - Tian Chengping: CCP-CC, Rural, CNPC (1945)
 - Sun Xiaoqun: CCP-CC, Religion, CNPC (1945)



Su Shulin (苏树林):
From Sinopec chief to
Fujian Province head this
year, CCP-CC (1962)



Fu Chengyu (傅成玉)
Former CNOOC head,
CCP-CC, now Sinopec
head (1951)



Wang Zhigang (王志刚)

Former VP Sinopec,
CCP-CC, now member
of Central Discipline
Inspection Commission
(1958)



Wei Liucheng (卫留成)

Hainan Congress head,
CCP-CC, former
CNOOC leader (1946)



Yang Chuantang

(扬传堂): CCP-CC,
Former Qilu and Shengli
Petrochem (1954)



Wang Yilin (王宜林)

Not CCP-CC, but new
Party head of CNOOC
(before was CNPC)
(1956)



Jiang Jiemin (蒋洁敏):
CNPC chairman, 17th
CCP-CC Alt., not moved
to Yunnan this year (1954)



Wang Yupu (王玉普):
Daqing (CNPC) chief,
17th CCP-CC Alt.
(1956)



Zhou Jiping (周吉平)

Not CCP-CC, but new president CNPC, frmr CNODC chief (1952)



Liu Tienan (刘铁男):

Not CCP-CC, but new head of National Energy Administration (1954)

- According to this analysis:
 - Unless new former heads of state energy companies who are now Central Committee members are bumped up to Politburo to replace retiring ones, then potential influence of SOEs could be diminished;
 - Unless new heads of energy SOEs (CNOOC, CNPC, Sinopec) are bumped up to Central Committee, then SOE influence diminished;
 - Unless NEC gets cadres with SOE experience, then it will remain weak and Chinese energy policy will remain diffuse

Thank You

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