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Exploring the Frontiers of U.S.-China Strategic Cooperation:
Energy and Climate Change

Edited by Melanie Hart November 2014

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Introduction:

Time to Take U.S.-China Energy and Climate Cooperation to the Next Level

The United States and China have a unique window of opportunity to achieve measurable progress on energy and climate change and to upgrade the U.S.-China relationship across the board. The two nations currently share more interests in this space than in any other. On military issues, for example, dialogue has improved tremendously in recent years. But at a strategic level, the United States and China are still primarily just trying to avoid destabilizing incidents in the Asia-Pacific. On cyber security, the government-to-government working group under the Strategic and Economic Dialogue, or S&ED, has been unable to even schedule meetings, much less think about actual policy deliverables. On economic issues, commercial complaints are growing on both sides of the Pacific and making it increasingly difficult to agree on anything new and concrete that would deepen market integration in the near-to-medium term.

If U.S. and Chinese leaders want their meetings to produce something new and concrete, there is a growing consensus in both capitols that energy and climate cooperation is the only track that can reliably deliver. The range of energy and climate deliverables rolled out thus far is truly breathtaking. Current bilateral projects include cooperation on advanced vehicle technology, clean coal, building efficiency, greenhouse gas-emission monitoring, smart grid technology, shale gas development, and many others. There is virtually no area of this domain where the two nations are not cooperating in some way. Most importantly, this cooperation is in the form of real projects that involve people from both sides getting together to actually do something. By any measure, this area of the relationship has become a true action track, not an empty-talk track.

At the same time, however, it is important to make sure that this growing array of action-oriented projects eventually adds up to something more than a steady stream of deliverables for high-level meetings. On climate change, in particular, bilateral cooperation will not be considered a true win unless those activities have an impact that goes far beyond the bilateral relationship. Most importantly, other nations around the world are looking to the United States and China to break

down the current impasse between developed and developing countries and serve as the poles around which the rest of the world could rally to form a new global climate agreement in 2015.

Unfortunately, it is specifically on those big-picture issues where the United States and China are still coming up short. Looking beneath the surface of this new action track, the two nations still do not see eye to eye on issues of principle such as how to divide climate responsibility among nations or how to best structure global energy institutions.

In October 2014, the Center for American Progress convened a group of rising U.S. and Chinese scholars to discuss these and other difficult issues in the bilateral relationship. This essay collection presents the views of the energy and climate experts who led the discussion on these issues. For more detail on critical themes that emerged from the closed-door track II discussions, see “Expanding the Frontier of U.S.-China Strategic Cooperation Will Require New Thinking on Both Sides of the Pacific.”

The scholars in this essay collection all agree that, although recent progress in the energy and climate space has been admirable, that progress has focused primarily on low-hanging fruit, and it is now time to kick cooperation up a notch and start chipping away at the truly difficult issues that still divide us.

Melanie Hart, director for China Policy at Center for American Progress, starts off this essay collection by arguing that the reason U.S.-China energy and climate cooperation has been able to flourish at the bilateral level is because those projects primarily involve a transfer of knowledge or assistance to the Chinese, with China playing the developing economy role it is most familiar with. When U.S. leaders try to carry that spirit of cooperation over to multilateral forums for reducing greenhouse gas emission, they run into two problems. First, although China’s economy is still developing, in a larger group, China looks like a major power. That brings international demands for China to take on new responsibilities, which Chinese leaders are wary of at their current development level, particularly since there are no clear models for what level of responsibility a major-power, but middle-income nation should have. Second, when the goal is reducing greenhouse gas emissions, U.S. and Chinese leaders want to make sure any action they take at home is reciprocated abroad, and U.S. and Chinese leaders are particularly suspicious of one another in this regard. Melanie recommends that the United States and China take near-term action to fill in these information gaps. In the

multilateral arena, the United States can utilize small-group forums such as the Arctic Council to help Chinese leaders experiment with new models of climate responsibility, thus building up their comfort level for more ambitious action in larger-group, higher-impact forums such as the U.N. Framework Convention on Climate Change, or UNFCCC. Melanie also recommends that U.S. and Chinese leaders launch a bilateral climate impact assessment program to give both sides more information about their counterparts' political interests in the climate space.

WANG Ke, assistant professor at the Renmin University School of Environment and Natural Resources and Research Fellow at the Renmin University National Academy of Development and Strategy, points out that from a Chinese perspective, the biggest problem is not how to increase China's climate leadership role but rather how to get the United States and other developed nations to recognize that they also need to do more. He argues that a significant portion of China's carbon footprint comes from producing goods that are then exported to consumers in the United States and other developed nations. In the globalized era, emissions and emission-reduction responsibilities cannot be perfectly divided among nations because the industrial processes that produce those emissions are part of a global supply chain. He recommends more integrated emission-reduction approaches that include technology transfers and other forms of assistance for emerging markets such as China since those nations are working to reduce not only their own carbon footprints but those of the entire global value chain.

Joanna Lewis, associate professor of Science, Technology and International Affairs at the Georgetown University Edmund A. Walsh School of Foreign Service, offers suggestions for how to better leverage the bilateral relationship between the United States and China in order to influence both the outcome of the international climate negotiations and the likelihood that any targets pledged may actually be achieved. She argues that while the bilateral cooperation that has occurred to date in the clean energy and climate space has facilitated constructive dialogue, it has been modest in scope, so far lacking the types of commitments that could be truly game changing when viewed from an international context. As a result, she thinks it is worth considering the types of high-impact announcements that might be more politically and economically feasible within the next year, that could get bilateral buy in from the two largest emitters, and that could have global reverberations. Joanna recommends that U.S. and Chinese leaders set up a joint clean energy research and development fund, expand cooperation on climate adaptation and resilience, and look for opportunities to link domestic implementation of national climate policies.

YU Hongyuan, professor and deputy director of the Institute for Comparative Politics and Public Policy at the Shanghai Institutes for International Studies, or SIIS, concludes this essay collection by focusing on an issue that has not received as much attention as it should in recent high-level energy and climate talks: how to structure the global energy regime and what that means for global fossil-fuel markets and China's energy security. The Chinese economy is still primarily dependent on fossil fuels. Due to its growing domestic demand, China recently surpassed the United States as the world's largest oil importer. From a Chinese perspective, that opens their nation up to new security risks because they are growing increasingly dependent on a set of global institutions and global sea lanes that, in their view, are predominantly controlled by the United States. Some of the steps China is taking to hedge against those risks—such as strengthening its energy partnership with Iran—are creating a new source of tension between China and the United States. Hongyuan suggests that U.S. and Chinese leaders should cooperate to reform current energy institutions to improve representation for China and other non-OECD nations. Where reform is not possible in the current structure, the United States and China should look for new, more representative forums.

The October 2014 Center for American Progress U.S.-China dialogue also covered regional and global security challenges. For essay collections on those topics, see:

- Exploring the Frontiers of U.S.-China Strategic Cooperation: Visions for Asia-Pacific Security Architecture
- Exploring the Frontiers of U.S.-China Strategic Cooperation: Roles and Responsibilities Beyond the Asia-Pacific Region

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