



The Swedish EU Presidency and the Green Growth Strategy: Boosting Clean Energy Cooperation with China

by Sangsoo Lee & Yue Xiao

The global financial crisis and climate change represent an unprecedented challenge not only for Europe but for the whole world including China. Sweden assumed the reins of the EU presidency in July this year. It is important that Sweden during the EU presidency enhances cooperation with China in order to achieve mutually reinforcing policies for combating the global economic crisis and climate change, in particular through increasing clean technology cooperation with China.

The global financial crisis has struck Europe with full force. It has left the continent grappling with the problems of declining economic growth, bankruptcies, and unemployment, with the crisis accordingly having occupied a prominent place on the EU agenda ever since its effects first became noticeable. Similarly, climate change also represents now one of the greatest challenges for Europe. The EU leaders agreed to cut CO₂ emissions by 20% to 2020 from the 1990 level, and promised to increase this target to 30% if other developed countries join in. The European Union is committed to working constructively for an agreement to control climate change among member states, and is leading the way by taking ambitious steps. As such, the double crisis affecting the global economy and climate represents an unprecedented challenge not only for Europe but the whole world including China, which necessitates cooperation.

This policy brief explores namely how Sweden during the EU presidency can enhance cooperation with China, in order to achieve mutually reinforcing policies for combating the global economic crisis and climate change. It will further provide some recommendations for the EU and Sweden to mitigate some of the negative impacts of the financial and climate crises, in particular through increasing clean technology cooperation with China.

Sweden assumed the reins of the EU presidency in July this year. The biggest and most important challenge for Sweden, and the EU, centers on the dual issue of “managing the

financial crisis and climate change” during its presidency. Further, the presidency’s ambition is to promote the transition to an eco-efficient economy where opportunities for economic growth are strengthened and environmental and climate considerations are utilized. Nonetheless, the question is how the EU can simultaneously tackle the current double global crisis by means of a win-win approach – where alleviating one crisis does not come at the cost of the other.

Sweden has been able to show that it is possible, in practice, to combine an advanced level of economic development and social welfare with high environmental ambitions. From 1990 to 2008, GDP grew by 44%. During the same period, carbon dioxide emissions decreased by almost 9 %. Furthermore, Sweden has recently invested more in the field of new green technologies that will hopefully have a two-fold impact: create new jobs and help to get the economy going again while, at the same time, investing in climate-friendly projects across sectors to support the transition towards a low carbon society. In short, environmentally-adapted technology can serve as a strong economic lever. In spite of this, we should acknowledge that the global climate and financial crises can’t be solved just at the national or regional level. The holding of the EU presidency, in this regard, is an opportunity for Sweden to lead not only European cooperation but also foster global cooperation on the issue of climate change and the financial crisis. In particular, to promote strengthened cooperation with



developing countries such as China would be of great significance.

China has overtaken the United States as the world's biggest emitter of greenhouse gases on account of its rapidly expanding economy and dependence on coal, the dirtiest fossil fuel. In response to this problem, the Chinese government during the eleventh Five-Year Plan (2006-10) has accorded high priority to dealing with the issue of energy and air pollution; it is planning to reduce total emissions by 10% and to increase China's energy efficiency by 20%. Also, China has recently allocated large budgets towards developing new technologies and projects, including solar, wind, and bio-fuels. Moreover, China has set an energy target that envisages renewable sources accounting for 10% of electric power capacity by 2010 (expected 60 GW); 5% of primary energy by 2010; and 10% of primary energy by 2020. In the long term, China has set an objective of having 30% or more of its total energy requirements satisfied by renewable sources by 2050. Speaking at a special UN climate change summit on September 22, 2009, in New York, Hu Jintao laid out a new plan to tackle China's emissions, tying them to economic growth. China's new plan includes vigorously developing renewable and nuclear energy and cutting down on carbon dioxide emissions per unit of GDP by a notable margin by 2020 from the 2005 level. Meanwhile, China is now leading the world after the U.S. in terms of the sheer volume of its financial package, valued at €423 billion, earmarked for economic recovery. At the same time, China has allocated almost 40% of the fiscal stimulus towards green investment schemes that will help to mitigate climate change, such as development of railways and other public transport infrastructure, energy grids, housing, and water management.

With this huge stimulus economic package, the bigger companies are now moving up the value chain investing more in R&D and in environmental technologies while the financial crisis has led to small-scale factory closings in China. As a result, its rapidly increasing renewable energy sectors such as solar, wind, and bio-fuel are a growing renewable energy market in China. This should offer great opportunities for energy technology companies in Europe, in particular Sweden, which is the world leader in the field of renewable energy, to find willing customers. In this area, Sweden can accordingly play an important role in promoting attention to the cause of further cooperation with China, namely through technology transfer. If China succeeds in adopting European clean technology, EU ex-

ports would experience a tremendous boost in the clean energy sector.

To pave the way for successful cooperation with China, the EU should first of all commit to continuing investments in clean technology for the foundation of their future regional economies, demonstrating that it is possible to achieve economic growth and stability while at the same time producing a positive impact on the environment. It is important that the EU plays a leadership role in promoting the concept of sustainable development. At the same time, the environment and sustainable development should be accorded a central place in the EU's relations with China. In this regard, the EU should also continue to work actively to urge China to sign international conventions on the environment and sustainable development, particularly at the Copenhagen Climate Conference in December 2009, second to implement those commitments, and third compel China to take responsibility for emission reduction measures. However, a more important factor is that the EU and Sweden support China's efforts in regard to sustainable development. Practically, the EU can help China to conduct programs related to the environment such as in environmental education, training, and research.

With regard to renewable energy issues, investments in the renewable energy sector in China should be emphasized to the EU member states, especially since China is very interested in European renewable energy technologies, in particular wind energy. Sweden has already been involved in China's wind power stations in terms of financial investment and technology transfer, which is a big step towards enhancing bilateral relations and hence a positive sign that the EU is taking greater measures to step up environmental cooperation with China. To take cooperation that step further, however, it is necessary that EU companies actively open up the Chinese renewable energy market. In thus doing, the EU should assist in particular small and medium-sized environmental technology companies in Europe to boost the exports of EU environmental technology related to renewable energy and energy efficiency, as well as other environmental equipment, to China.

As far as clean energy cooperation is concerned, the Clean Development Mechanism known as CDM should be promoted and strengthened in cooperation between the EU and China. CDM was introduced by the Kyoto Protocol and is an effective way to reduce the emissions of CO₂ in developed countries. Sweden and EU member states could utilize this mechanism to cooperate much more



closely with China's companies on projects which are feasible and manageable. The technology and funding offered by Sweden to China will not only benefit the Chinese companies, but also help Sweden to reduce the emissions of greenhouse gases to meet the commitment of international conventions it has signed, which would be meaningful for both sides.

It might not be easy to eradicate the gap in differing conceptions of environmental management between China and the EU, but it should be commonsense that protecting the environment demands immediate attention. The current dual crisis in the global economy and climate could yield new opportunities for the EU and China to be a part of forming our common future in a new, innovative, and sustainable way. Sweden could also promote clean technology cooperation with China as an opportunity to make a positive contribution to the development of EU-China relations, and in thus doing also Sweden-China relations, during its presidency.

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