

## China Economy

# Xi Doubles Down on Green Energy Transition

March 1, 2024

Hutong Team  
[HQ@hutongresearch.com](mailto:HQ@hutongresearch.com)

### What happened

- On 29 February, Chinese president Xi Jinping chaired a group study session of the Politburo with a focus to enhance development of China's green industries. The session followed a Politburo meeting in the morning that reviewed the government report for the Two Sessions next week, suggesting that energy transition will be a key focus of China's policy making this year.

### Analysis

- At the session, Xi explained why China must pursue energy transition. First, the green industries such as new energy vehicles (NEVs) and solar power equipment have become China's new strength and growth engines. Second, there remains a lot to be done, and China has the potential to lead technology advancement in this area given its huge demand. Third, this is an opportunity for China to promote international cooperation, including on supply-chain and global governance rules.
- In short, Xi sees energy transition as an area that fits both China's development and security needs and has the potential to increase the country's global influence.
- In practice, policies will focus on green infrastructure development. In particular, the group study session stressed a push for grid investment, which grew only 3% a year on average in the past three years, much slower than 24% annual growth of investment in renewable power capacities. The trend, if continued, could pose significant risks to China's energy security.

### China has been adding much more renewable power than planned

GW	2020 stock	2021 stock	2022 stock	2021 addition	2022 addition	2023 expected	2023 actual
<b>Thermal</b>	1,245	1,297	1,332	52	35	77	58
<b>Hydro</b>	370	391	414	21	23	9	8
<b>Wind</b>	282	328	365	46	37	65	76
<b>Solar</b>	253	307	393	54	86	97	217
<b>Nuclear</b>	50	53	56	3	3	2	1
<b>Total</b>	2,200	2,376	2,560	175	231	250	356

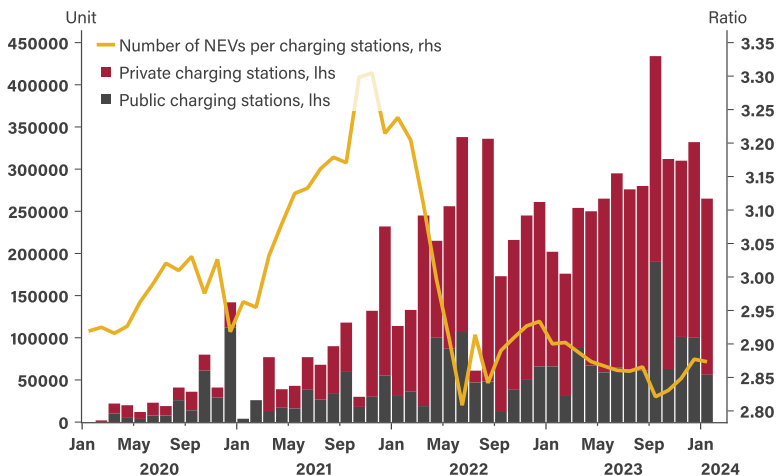
(Source: China Electricity Council)

- Such rapid growth of the green industries has far exceeded Beijing's own plans. Early last year, China Electricity Council, an affiliate to the National Energy Administration, forecasted the country to add 97gw solar power capacity in 2023, but China ended up adding 217gw. It also added 76gw wind power capacity and 8gw hydro, compared to only 58gw of thermal.

- As a result, China has been attempting to slow the growth of on-grid power capacity addition. Last October, China [relaunched](#) its certified emission reduction (CCER) scheme but disallowed most renewable energy projects to benefit from it. In addition, it also [specified](#) that firms in industries to be covered by the national emission trading scheme (ETS) can only count off-grid renewable power consumption, such as that from captive power plants, as “zero-emission”. Emissions from on-grid renewable power consumption will be calculated at the same rate as other power sources.

### China has ramped up support for charging stations

Monthly addition of charging stations



Macrobond

- There will also be a push for charging stations and smart systems to help manage the interaction between NEVs and the grid, especially the latter. In 2020, Beijing planned to have NEVs make up 20% of China’s auto sales in 2025, but the number is on track to hit 40% this year. At the end of 2023, NEVs made up 6% of China’s vehicles in possession. Policies are now trying to catch up with the trend.
- Rapid growth of NEVs means both challenges and opportunities. On one side, charging these NEVs could add significant volatility to China’s grid system and disturb power supply. On the other, batteries of these NEVs could also be used as storage for excess power supply which can be released at times of power shortage, improving resilience of the system.
- Last December, the National Development and Reform Commission (NDRC) already [issued](#) an opinion, calling for construction of a two-way interactive system to facilitate flow of information and energy between NEVs and the grid.
- In addition, Beijing also appears supportive for Chinese NEVs to go abroad. The study session discussed supply chain as an area for China to deepen international cooperation. On 7 February, the Ministry of Commerce [released](#) an opinion that encourages firms along the auto supply chain to strengthen international cooperation on R&D, to comply with foreign rules, and to improve their ability to service foreign clients. Policies will provide relevant support in logistics, finance, and standardization.