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## **Climate Change, Energy and Asian Geopolitics**

*By Frank Umbach*

### **Synopsis**

*President Trump's declaration to withdraw from the Paris Agreement on Climate Change may contribute to a self-isolation and a geopolitical weakening of the US. While China has cleverly used this opportunity, its energy-climate policies are much more ambivalent than its impressive investments into renewable energy resources suggest.*

### **Commentary**

PRESIDENT DONALD Trump's protectionist rhetoric and promises to roll back his predecessor's environmental policies have translated into reality. He declared on 1 June 2017 that the United States would withdraw from the Paris Agreement on Climate Change. This surprised nobody but has worried deeply the global community, nonetheless, about what this means for the future of the global climate governance.

Beyond the political symbolism of Trump's announcement, however, the short- and longer term impacts might be marginal as many US federal states and US energy companies will continue expanding renewables in the US energy mix and insist on restrictive environmental regulations. Moreover, a withdrawal from the Paris Agreement can only enter into force after November 2020 (when the next US presidential elections will take place).

### **Political Vacuum for China?**

Internationally, most other countries will not withdraw from the Paris Agreement. But Trump's announcement may contribute to a US self-isolation and a geopolitical shift by strengthening China. Many governments and environmental groups will blame the

US President instead for upsetting the global climate mitigation policies and giving up its enshrined target of global warming to increase to not more than 2°C.

The US shift by withdrawing its leadership role in global climate protection policies comes at a critical time as worldwide clean energy investment declined from a record high of US\$348 billion in 2015 to just \$287.5 billion in 2016 (the solar power sector saw even a 64% decrease in investment), and global surface temperatures reached another record last year (nearly 1 degree Celsius higher than in the mid-20th century).

The political vacuum left by Washington appears to have already been filled by Beijing. China has emerged as a main defender of the Paris climate agreement and for preventing global temperatures from rising by more than 2 degrees Celsius. President Xi Jinping used the last World Economic Forum in Davos (Switzerland) in January to fill the leadership role left by the Trump administration.

President Xi presented China as the new guardian of the world's free trade and rescuer of the world's climate protection policies.

China has made, undeniably, huge efforts to reduce the role of fossil fuels in its energy supply. It has dramatically expanded its investments in renewables for economic, environmental and energy security reasons. It has become the world leader in production of solar panels and batteries. In 2016, its combined new electricity generation from hydro, wind and solar power came to 153 TWh, surpassing the growth in fossil fuel generation (111 TWh). It nearly equalled Germany's total generation from renewables (186 TWh). By investing \$103 billion in 2015 (compared with just \$44 billion in the US), its electricity generation from renewables rose to 25 percent of its consumption.

### **China's Leadership in Renewables – The Overlooked Dimensions**

China has also bolstered its dominant position in the global renewables industry by increasing its foreign investments in clean energy – to more than \$32 billion in 2015. But China's overall objective for its expanding overseas investments is to create new markets for its renewables technology exports. Last January, Beijing announced that it would spend more than \$360 billion on its renewable energy sector, which it expects will create more than 13 million jobs.

The expansion of these overseas investments is linked with the shrinking opportunities for Chinese companies in its home market, forcing them to expand abroad in order to make commercial profits, creating jobs and becoming world champions in their industry sectors. These industrial and economic policies are also part and a pre-condition of China's geopolitical ambitions to rise to its ancient role of a "Middle Kingdom".

If so, this will weaken the US as well as other potential rivals and replace the existing global order. Thus the foreign investment strategies, including in energy sectors, are part of Beijing's "One Belt, One Road" (OBOR) strategy – now known as the Belt and Road Initiative (BRI) - as well as its long-term geopolitical and geo-economic interests.

Accordingly, those expanding investments are not restricted to renewables and other “green technologies”. China is also the world’s largest investor in coal mining and coal power projects. Currently, it is financing and building around 85 coal-powered plants worldwide. It is even doing so in Europe (in Serbia and in Bosnia-Herzegovina), raising concerns in the European Union that these newly-built coal power plants will not comply with EU’s Industrial Emissions Directive (IED).

### **A China-led Asian “Supergrid”?**

China’s proposal to build an Asian “supergrid” would also allow it to export coal-fired power to nearby countries as part of OBOR. While these investments move emissions out of China, helping the country to reduce its national CO<sub>2</sub>-emissions and decrease its air pollution, they might add even more emissions on a global scale as the environmental standards in most of its poorer neighbouring countries are lower than those in China.

Beijing’s overseas coal investments serve its domestic energy policies and economic growth concept as well as its strategic and foreign policy objectives. Its industrial overcapacity and economic transformation, as well as the reduction of its coal consumption domestically, have increased the pressure for China’s coal industry to further expand its overseas investments in coal power plant and coal mining projects.

Even its coal policies for its domestic market are much more ambivalent than often portrayed. In January, Beijing halted more than 100 coal-fired projects (even some that were already under construction) with a combined installed capacity of more than 100 GW. However, that decision was made primarily to curb overcapacity. Another reason was to increase the coal industry’s efficiency as well as to decrease air pollution rather than to strengthen its commitments in light of the Paris Agreement and for the sake of worldwide climate protection.

### **International Climate Obligations or Political Stability?**

In contrast to previous years, China’s coal imports have increased since the beginning of 2016, making it the world’s largest importer of the fuel. Again, Beijing appears rather to favour a strategy of exporting emissions to other countries (also known as “carbon leakage”).

Given China’s slowing GDP increase and mounting economic problems, it remains to be seen whether Beijing will really sacrifice economic growth or its overall political stability to meet international climate obligations. In contrast to its efforts to fight its air pollution, China’s global obligations for reducing CO<sub>2</sub> are not a topic of wide public concern domestically.

As long as China is not willing to sacrifice national interests for global public goods and interests, it remains questionable whether a Chinese leadership role replacing the US and Europe in global climate protection policies is really in the long-term strategic interest of the rest of the world.

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