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China's Green Consumption Action Plan

Since 2H21, consumer spending in China has shown worrying signs of slowdown as growth plummeted to a jaw-dropping rate of 1.7% YoY in December, the slowest growth since September 2020. Contrary to the Chinese government's ideal path of boosting domestic consumption and steering away from an export-orientated economy, exports from China realised a strong growth of 26.1% YoY in 2021 while booking a record-high trade surplus. On the back of the release of these economic data by the National Bureau of Statistics (NBS), the National Development and Reform Commission (NDRC) jointly released the [Promoting Green Consumption Action Plan](#) with six other top government agencies, aiming to stimulate the country's consumption towards a direction that matches its net-zero environmental commitment. With the expectation that China is in the process of formulating its net-zero related policies in many different sectors and areas, we view this latest policy as another piece of the country's Carbon Neutrality puzzle following the [masterplan](#) released by the State Council earlier in September 2021.

The policy calls for promoting the supply and consumption of low-carbon products and services and for supporting the green transformation of China's consumption structure. Specifically, it sets up requirements in various sectors, such as food, clothing, building materials, transportation, tourism, logistics and renewable energy usage.

In food consumption, with China's currently imposed [Anti-food Waste Law](#), restaurants and major delivery platforms have been told by the regulator to curb food waste and promote responsible consumer behaviour. They do so by starting to serve food with a smaller portion option and stop providing single-use utensils for delivery orders. In the first three quarters of 2021, the number of restaurants providing a smaller portion option has increased by 25.4%, while over 100 million consumers have voluntarily chosen to opt-out of single-use plastics, according to statistics provided by the Ministry of Commerce. In the press conference held by NDRC shortly after the announcement of the Action Plan, it was highlighted that every single step throughout the food supply chain will be put under scrutiny in order to reduce food waste to the largest extent.

For the housing sector, the Action Plan promotes the use of low-carbon construction materials and home appliances, encourages recycling of building materials, and seeks to renovate old communities to conserve energy and reduce carbon emissions. Local governments have been tasked to promote rooftop solar installations in residential buildings and biomass in rural areas to increase the proportion of zero-emission energy in power consumption.

In the transportation sector, the plan also aims to encourage the use of new energy vehicles (NEVs) and establish a nationwide market for pre-owned vehicles. It also calls for accelerating the construction of NEV charging stations, energy storage, hydrogen refilling stations and other relevant infrastructure. To provide some [context](#), NEV sales experienced strong YoY growth of 158% in 2021 to reach 3.5 million, realising a record-high penetration rate of 13.4%. Vehicle recycling volume grew by 20.7% YoY.

For the retail sector, shopping malls and e-commerce platforms have also been guided to promote the consumption of green products by setting up dedicated sales areas for low-carbon products. Similarly, requirements to adopt reusable and certified green packaging materials have been highlighted in the plan for delivery service providers to follow.

As China adopts a whole supply chain approach to stimulate green consumption, the policy most notably aims to set up robust green product certification systems covering food, clothing, materials, logistics and renewable energy. In early January, the release of the [China Products Carbon Footprint Factors Database](#) by the Chinese Academy of Environmental Planning (CAEP) sets a foundation for product-level green certifications and has great significance for carbon reduction in supply chain management. A well-established green certification system would help to further prevent greenwashing, provide consumers with a well-regulated marketplace for green-labelled products and most importantly gain consumer trust in a nascent product category.

Despite being largely qualitative in nature, the Action Plan sets a positive tone for formulating more refined policies regarding green consumption. As usual with the policymaking process of China, once the top government releases a directional policy, agencies at lower levels (provincial and municipal) and industry associations typically follow the masterplan to formulate more granular targets and implementation plans. However, one shall not expect this shift in green consumption spending to be smooth

and easy. Changing consumer behaviour is always challenging and time-consuming, but we believe that the Chinese government has shown its determination to pursue the green transformation of its consumption sector.

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