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The U.S.-China Climate Deal

Collaborations on climate issues between the United States and China, the world's two largest emitters, have long been regarded as a rare positive aspect in their otherwise conflictual relationship marked by geopolitical tensions over trade, technology, and human rights. However, this bright spot has also diminished over the past year, with Beijing suspending climate talks with Washington in retaliation to a high-level U.S. visit to Taiwan last summer.

In a surprising turn of events just before President Biden and President Xi met at the APAC summit in San Francisco, the two countries buried the hatchet and jointly issued a statement at the Sunnylands retreat in California, outlining several key measures to address climate issues. Here are our key takeaways.



US Climate Envoy John Kerry shakes hands with his Chinese counterpart Xie Zhenhua (Source: Reuters)

First and foremost, the two countries have decided to revitalize the Working Group on Enhancing Climate Action in the 2020s, which had been previously dismantled after Nancy Pelosi's Taiwan visit back in 2022. The bilateral working group is tasked with exploring cooperation on energy transition, methane emission, circular economy and resource efficiency, low-carbon and sustainable provinces/states and cities, and deforestation.

In the joint statement, both countries have committed to "efforts to triple global renewable energy capacity by 2030" aiming for a level that should be sufficient to expedite the transition away from coal, oil, and gas generation. Additionally, both nations foresee "meaningful absolute power sector emission reduction" within this decade, marking the first time China has agreed to specific emission targets for any sector of its economy.

On another positive note, China has also agreed to set reduction targets for all greenhouse gas emissions in its 2035 national climate plan, expanding the list from only carbon dioxide to now methane, nitrous oxide and other gases that are acting as a blanket around the planet. Spewing from oil and gas extraction facilities and coal mines, methane can be 80 times more potent as a greenhouse gas than carbon dioxide in causing global warming.

Previously at COP26, the world's largest methane emitter, China, had refused to join the Global Methane Pledge which is an agreement among some 150 countries to collectively reduce methane emissions by 30% by 2030. In our view, the inclusion of methane in the most recent statement is a significant step forward made by China, which leads us to hold a more optimistic view of what could potentially come out of the upcoming COP28 conference at the end of this month.

The latest statement will undoubtedly lift the spirits of delegates at COP28 in Dubai by providing a more stable political environment. Amid political divisions over issues such as Gaza and Ukraine, hopes for substantial progress at the gathering had been subdued. The fact that even geopolitical tensions between China and the U.S. can be overcome to reach an agreement before COP28 is likely to influence other participating countries. If the two largest polluting nations can commit to emission reductions, it should encourage other countries to follow suit.

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