

# Creating Subnational Climate Institutions in China

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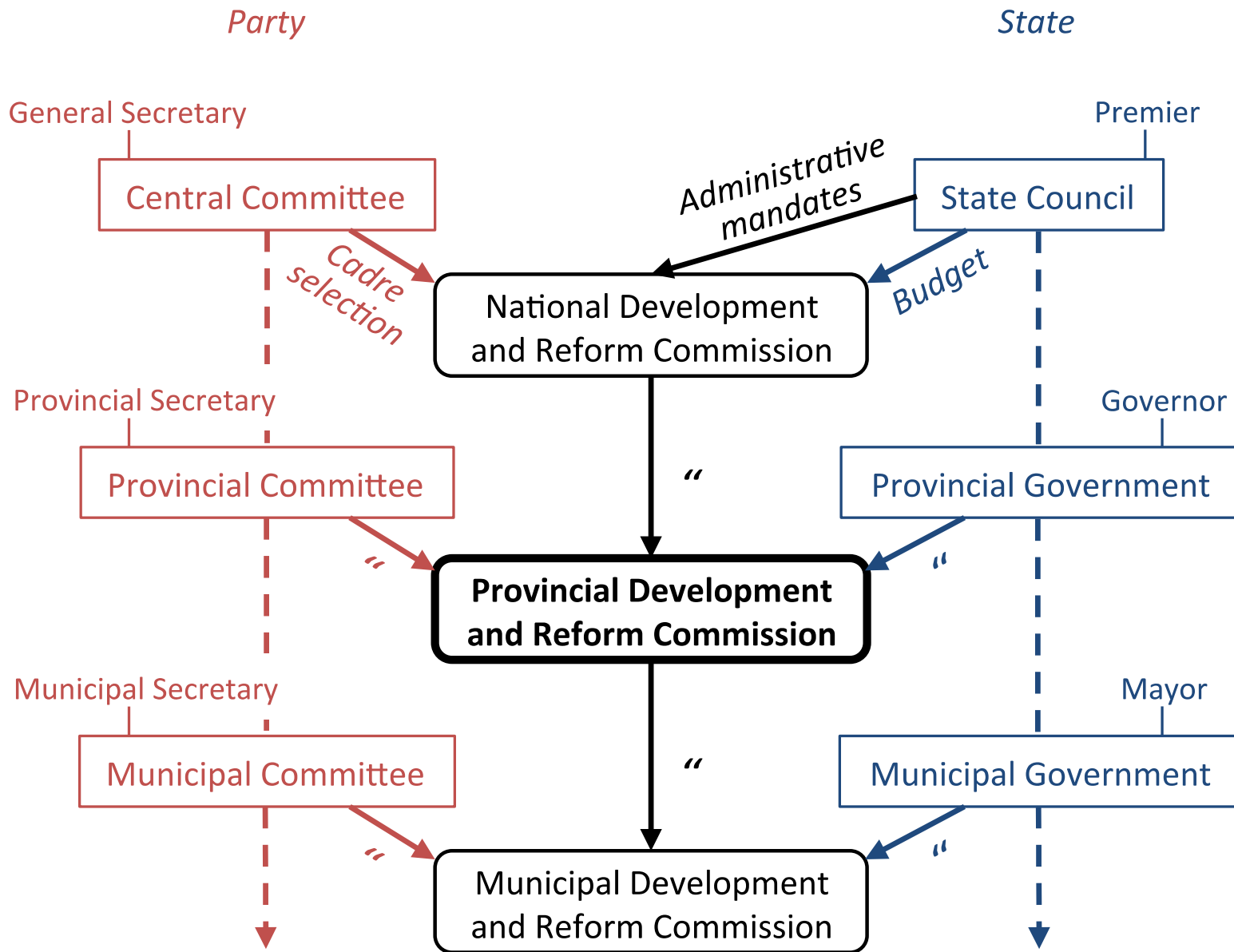
# Why China's subnational climate institutions?

- Large interconnected hierarchies (center to local) govern policy design and implementation
- Local political economy factors cause geographic variation in policies and institutions
- Effective policies need to both creatively centralize some aspects while encouraging local initiative in others
- Many of these issues are present in other countries, but particulars matter a lot

# Party-state governance in China

- “Quasi-federalist”
  - Interconnected central-local hierarchies yet...
  - Subnational governments account for 70-80% of all gov expenditures (2x OECD, 5x developing countries)
  - *Tiao-kuai* (vertical-horizontal) lines of reporting to manage bureaucracies
- Central role of CCP
  - Cadre selection and evaluation (e.g., inspection)
  - Policy direction

# Party-state governance in China (2)



# Selected authorities over GHG-emitting activities

<i>Level</i>	<i>Investment</i>	<i>Production</i>	<i>Consumption</i>
Central	<ul style="list-style-type: none"><li>• Large infrastructure projects</li><li>• Technology priorities</li></ul>	<ul style="list-style-type: none"><li>• Producer prices for strategic sectors</li><li>• Environmental, health, and safety regulations</li></ul>	<ul style="list-style-type: none"><li>• VAT rates</li></ul>

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Local	<ul style="list-style-type: none"><li>• General project permitting</li><li>• Land policy</li></ul>	<ul style="list-style-type: none"><li>• Plans for non-market sectors</li><li>• Regulatory implementation</li></ul>	<ul style="list-style-type: none"><li>• Retail prices for key goods</li><li>• Protectionist policies</li></ul>

# Changing institutions at center and local levels

- Creation or significant modification of formal institutional structures
  - E.g., Ministry of Ecology and Environment
- Establishment of new administrative mandates
  - E.g., carbon intensity targets
- Formation and communication of priorities of leadership
  - E.g., Commission activity (leading groups)

# Factors affecting implementation and durability of climate policy

CCP                      State Council                      NPC  
Commissions:          Climate Change  
CFEAC, CCDRC        Leading Group

Central agencies

MEE    MIIT    MLR    MOF    MOHURD  
MOST    NDRC    NEA    SASAC

Local officials and government bureaus



# What does this mean for national ETS?

- Overall institutional framework
  - What are authorities of various agencies over key system design parameters?
  - How will it tie into key organizational processes (e.g., cadre selection)?
- Harmonizing local pilots
  - How to constrain/incentivize local gov investment and economic institutions?
- Electricity market reforms interdependencies
  - How to achieve a national carbon market given distinct local electricity institutions and markets?

**THANK YOU. QUESTIONS?**

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