



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

How **Green** Is The Chinese 2021 5-year Plan And What Opportunities Lie Ahead

March 17, 2021

Riccardo Benussi – Head of European Business Development

Webinar in partnership with



Our Firm In Numbers

1992

Dezan Shira's establishment

300+

Our team of legal, tax, accounting and audit professionals

40%

Almost half of our clients are EU-based

11

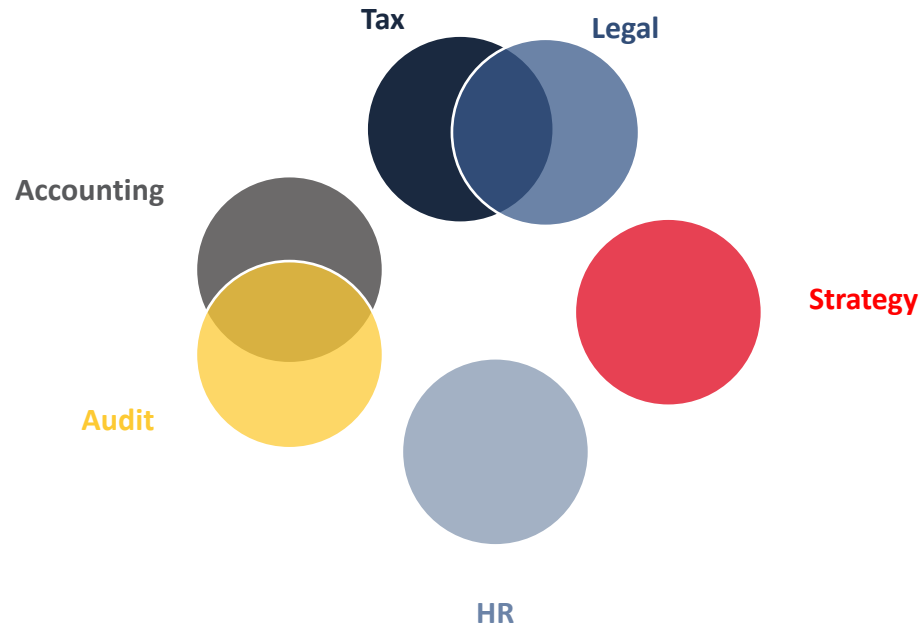
Asian countries covered

25

Offices only 5 of which are not in Asia

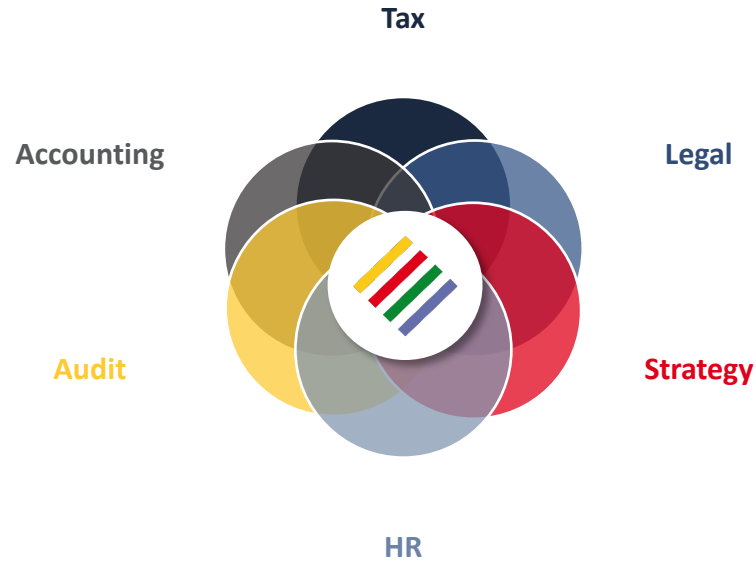


Multi Provider Approach



Full-Service Method

Dezan Shira & Associates





Discussed Today

1. Framework of China's energy consumption and investments
2. How Green is China's 5-year plan (2021-2025)?
3. Opportunities

China's **consumption** and **investments** in energy



Coal



2019 = **58%** China's
energy use

> 2011 = more coal
consumption than **ROW**

Coal



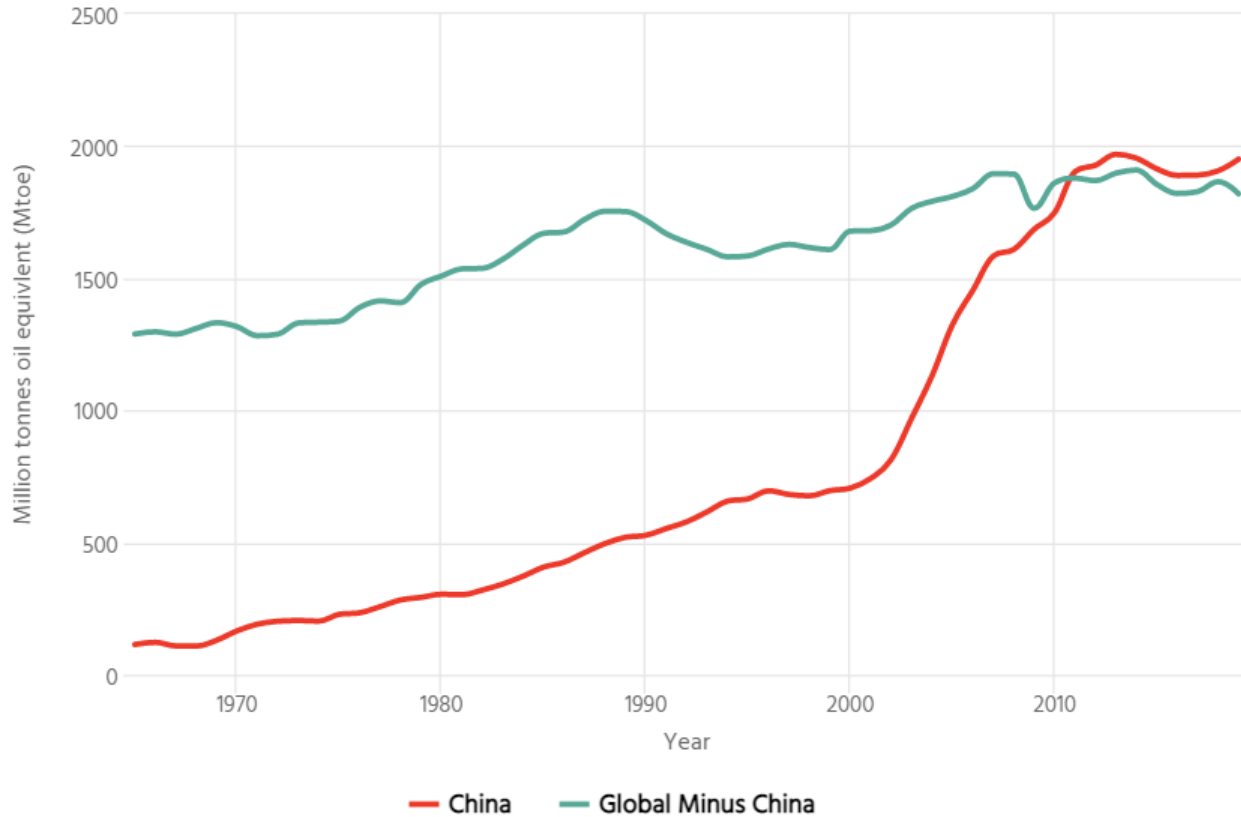
2018 = **80%** China
emissions

70% India

26% USA

28% Europe

Mainland China vs Global Coal Consumption



Spending Smartly

2019 = \$ 83.4 B = **23% of** global spending



Renewables

by 2040 = **1** out of 4 GW

1 GW = 3.125 Million Photovoltaic (PV) Panels

1 GW = 412 Utility-Scale Wind Turbines

1 GW = 110 Million LEDs

How Green is China's 2021-2025 5-year plan?



UN Speech – September 2020



By 2030 = 20% non-fossil



Targets Overview

Dropped

- Urban hukou
- Service sector
- Patents per 10k ppl
- Broadband penetration
- Mobile penetration
- Job creation
- People out of poverty

New

- **Food production**
- **Energy production**
- Valuable patents
- Share of digital economy
- Medical professionals per 100 ppl

Returning (and moving) Targets of the 5YP

- **Growth Target is Back**
 - >6%
- **Technology and Innovation**
 - Self sufficiency became national priority
 - Strategic industries...



Returning (and moving) Targets of the 5YP

Strategic industries

- 5G
- AI
- Biotech

Climate Policy

High on the Agenda

- **Other reasons why**
 - A **cooperation** tool
 - Helps to **de-emphasize** economic growth
 - Puts energy **security** front and center



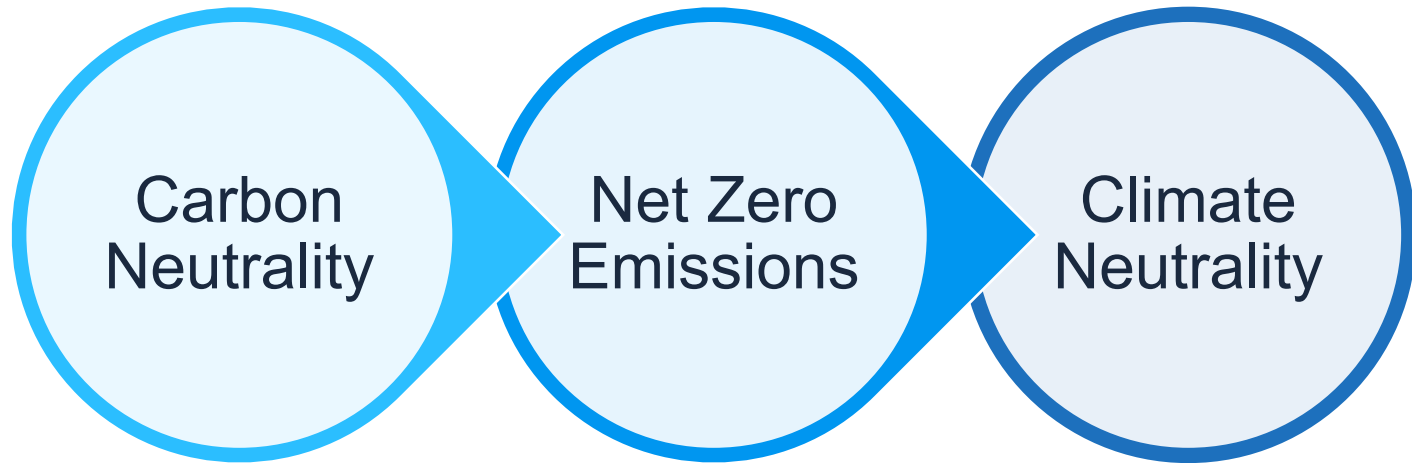
Uncertainties Remain

- China's infrastructure needs upgrading, to absorb more mixed renewables
- The Government's specific "Action Plan" is yet to be published
- Decentralized lobbying efforts = good or bad?



Carbon Neutrality, Net Zero & Climate Neutrality

Differences



“the most
crucial
document in
global energy
market
history”?

Key takeaways

- Peak carbon emissions by 2030
- Achieve carbon neutrality by 2060
- Investment restrictions will be lifted on coal, oil, gas, power generation – except nuclear – and new energy businesses

Pledges by 2030

- Lower carbon dioxide emissions
- Increase the share of non-fossil fuels in its primary energy consumption
- Reach over 1,200 GW installed electricity production capacity from energy-mixes

Achieving “Peak Carbon”

2030 targets can be met

UN Summit Commitments	2019	2030
Carbon Emission per unit of GDP	-48%	-65%
Forest stock (bn cubic meters)	17.6	18.5
Share of non-fossil fuel (% over total energy consumption)	15%	25%
Wind and solar capacity (mn kilowatts)	413	1200

Mega Power Complexes

The **Periodic Nature** of Energy-Mixes Cocktails

What European carbon emission reduction **technologies** will be in demand?





Solar and Wind Power

- Variety of incentives:
 - reduced corporate income tax (CIT) rates for installing wind power in the country's western regions
- High competition with Chinese companies - domestic entities control 98% of China's wind power market
- Foreign companies can compete with advantages in technology, efficiency and expertise
 - Attractive for JVs with Chinese partners or to sell directly to private entities
 - Expertise in the development of smart grids is needed

Green Building

- **Preserve resources, protect the environment and reduce pollutions**
- **Two Ratings systems:** *China's own Green Building Evaluation Standard (GBES) & U.S.'s Leadership in Energy and Environmental Design (LEED).*
- Most Chinese domestic construction companies still unfamiliar with green materials - **foreign technology and expertise is desperately needed**
- Strong incentive framework:

National Incentives	
2 – star rating	3 – star rating
subsidy of RMB 45 per sq. m	subsidy of RMB 80 per sq. m
covers up to 68 percent of the incremental cost for residential buildings and 44 percent of public buildings	covers up to 66 percent and 50 percent.
China's CIT law: costs incurred while conducting R&D for green buildings in China can be deducted from a company's CIT payment	

Local incentives
Western China: reduced CIT rate of 15%
Shanxi province: streamlined application process, additional subsidies between RMB 10 and 20 per sq. m, depending on the rating
Dongguan in Guangdong province: RMB 10 million (US\$ 1.5 million) special fund to support green building projects
Heze in Shandong province: 30,000 sq. m of new construction in each of its counties be green and that this should partly be used to provide affordable housing

New Energy Vehicles (NEVs)

- China is the world's largest NEV market
 - **electric vehicles, plug-in hybrid vehicles, and fuel cell vehicles**
- Share of new auto sales from currently 5% to 25% by 2025
- Foreign brands can leverage their brand reputation and technology

Incentives:



NEVs exempted from vehicle purchase tax from January 1, 2021 to December 31, 2022



Subsidies for NEVs extended through 2022

Cut of subsidies by 20% in 2021 and 30% in 2022.

Subsidies to cars that cost < \$42,480



Investment in new infrastructure (NEV charging stations, clean energy, IoT,...)

Green Financing (bonds)

Green Finance



Tianjin: 10 policy measures since 2017

Guidance on the Construction of a Green Financial System

Improvement of the green financial organization system, innovation of green credit products and service methods, development of the green bond market, green leasing business, green supply chain finance, coordination of emissions trading

Green Bonds



China is the world's largest green bond market

Financial support and governmental incentives

More than 80% issued in Shanghai, Fuzhou & Beijing
In industries such as clean energy, clean transport & resource recycling

Other technologies required

Carbon-capture technologies

Biomass

Geothermal

Ocean energy

Green mining

Hydro

Sustainable packaging

Waste management



DEZAN SHIRA & ASSOCIATES

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Global Offices

CHINA

Beijing
beijing@dezshira.com

Hangzhou
hangzhou@dezshira.com

Shenzhen
shenzhen@dezshira.com

Dalian
dalian@dezshira.com

Ningbo
ningbo@dezshira.com

Suzhou
suzhou@dezshira.com

Dongguan
dongguan@dezshira.com

Qingdao
qingdao@dezshira.com

Tianjin
tianjin@dezshira.com

Guangzhou
guangzhou@dezshira.com

Shanghai
shanghai@dezshira.com

Zhongshan
zhongshan@dezshira.com

INDONESIA

Jakarta
indonesia@dezshira.com

Batam
batam@dezshira.com

HONG KONG

hongkong@dezshira.com

INDIA

Delhi
delhi@dezshira.com

Mumbai
mumbai@dezshira.com

SINGAPORE

singapore@dezshira.com

VIETNAM

Hanoi
hanoi@dezshira.com

Ho Chi Minh City
hcmc@dezshira.com

Da Nang
danang@dezshira.com

DEZAN SHIRA ASIAN ALLIANCE MEMBERS

Malaysia
malaysia@dezshira.com

The Philippines
philippines@dezshira.com

Thailand
thailand@dezshira.com

Bangladesh
bangladesh@dezshira.com

DEZAN SHIRA LIAISON OFFICES

Germany
germandesk@dezshira.com

Italy
italiandesk@dezshira.com

U.S.A.
usa@dezshira.com

Please email asia@dezshira.com or visit www.dezshira.com





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