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Greening the Belt and Road Initiative: recent advances in assessing the scale of the challenge, the obstacles and the tools for action

Auteur

Sébastien Treyer
Executive Director

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The Chinese government currently plays a key role in supporting international ambition on climate change and biodiversity, and is presenting the Belt and Road Initiative (BRI) as a global project capable of achieving the 2030 Agenda for Sustainable Development. Making the BRI a driver of change towards sustainable development is therefore a strategic challenge not only for China, but also for the rest of the world. This implies rapidly deploying a collective learning process on the “greening” of the BRI and its alignment with the objectives of the Paris Climate Agreement and the Sustainable Development Goals (SDGs). The second BRI Forum, held in April 2019 at the invitation of the Chinese government, supplemented existing plans for the greening of the BRI with the launch of several international initiatives in the context of the BRI

International Green Development Coalition and the Green Investment Principles. But ensuring that these new initiatives truly make a difference in relation to pre-existing plans would have required an assessment of the challenge in terms of the environmental impact of BRI projects, after a first five-year implementation period, which should have identified the main obstacles to reducing this impact and the tools for action. Several recent studies published by Chinese experts and institutions are beginning to bridge this gap.

A few studies already highlighted the fossil energy intensity of Chinese foreign investment

Until recently, transparency on the environmental impact of the BRI, in particular in terms of the decarbonisation of the economy in host countries, relied on a small number of American research centres.¹ A study by the World Resources Institute (WRI) published in 2018 confirmed that the share of fossil energy in the first wave of investments made under the aegis of the BRI (2014-2017) was still very high (between 60 and 90% of investments in energy, according to the financing instruments considered), without any significant reduction in relation to the period prior to the launch of the BRI (66% of investments in coal compared to 24% in renewables for the period 2007-2014).² The vast majority of the net increase in financing in the BRI countries between these two periods thus served, for the energy sector, to finance investments in fossil energies, whereas the Nationally Determined Contributions (NDCs) of the countries considered in the framework of the Paris Agreement indicate an acute need for investment in renewables.

A reassertion of the principles of greening, but weaknesses in assessments of the obstacles to implementation

This major problem, and consequently the scale of the challenge of aligning the BRI with the Paris Agreement and the SDGs, was not mentioned during the launch of [the BRI greening initiatives in April 2019](#). These initiatives essentially renewed commitments to implement the often pre-existing greening principles, but without specifically assessing the implementation challenges that explain such a gap after the first wave.

The key categories explaining the high environmental impact of the first wave of investments were already highlighted in a study by the China Council on International Cooperation for Environment and Development (CCICED, an advisory board of international experts working with the Chinese government) in 2018³: low environmental demand by governments in host countries; the complexity of projects and their transnational nature, which make environmental assessment procedures complex, but also any efforts to ensure transparency because of the dispersion of data; risk assessment frameworks that are unfavourable to green investment). But the solutions to enable the implementation of greening principles were not developed in this study.

The next CCICED study on the same subject was therefore eagerly awaited, especially as it was to include three case study analyses (Pakistan, Malaysia, Sri Lanka). Published in May 2019, this study⁴ above all summarises commitments already made, indicates the importance to be given in the future to the principles of green finance and social and environmental responsibility (SER) for Chinese companies operating abroad, and calls for better understanding of the environmental impacts of future BRI projects. Only two of the three case studies are presented; they illustrate processes to reduce local environmental impacts through territorial planning of the infrastructures concerned. However, it is striking that the report simply takes stock of the SER processes and the impact on local development of the Thar coal plant, without questioning the contradiction between the use of this fossil energy and

the objectives of the Paris Agreement.

Several recent studies by Chinese institutions provide unprecedented transparency on the environmental challenge for the BRI

In this context, the report published in September 2019 by the Tsinghua University Centre for Finance and Development,⁵ among others, and signed by Ma Jun, Chairman of the China Green Finance Committee, is a very interesting development. This report highlights that, in the 126 countries concerned, which in 2015 accounted for 28% of CO₂ emissions and 23% of global GDP, the baseline scenario for BRI implementation would lead to a significant increase in greenhouse gas emissions by 2050, up to twice the level needed to remain below a 2°C increase in average world temperatures by the end of the century. Faced with the scale of this challenge, the authors stress that an incentive approach involving investors' anticipation of a risk of transition will not be enough, due to three specific types of obstacles: strengthening climate regulations in host countries and their implementing institutions is a long-term undertaking; a large part of the investments considered will not be subject to financial risk assessments since they only appear in public accounts; and many projects are "de-risked" by the public institutions. Consequently, the authors propose a set of conditions needed to overcome these obstacles: transparency on the carbon impacts of BRI investments, the adoption of green investment principles by all global investors, the strengthening of host country capacities in terms of green finance and environmental regulation, and the alignment of Chinese foreign investments not with the environmental standards of the host country, but with Chinese environmental standards when these are more ambitious.

Other recent publications linked to Chinese institutions such as the Chinese Academy of Sciences⁶ highlight the potentially major impacts of the BRI infrastructure programme on biodiversity, in view of the presence of some key biodiversity areas close to these infrastructures. They recommend not only minimising their impacts, but also, where applicable, questioning whether these infrastructures are actually advisable.

These recent examples reflect both the existence of an internal debate between Chinese experts on the risks and opportunities of the BRI, especially in environmental terms, and the recent opening of this debate to the international community as a whole on an empirical, quantified basis, finally enabling the launch of a collective learning process.

¹ Tancrede Voituriez, Wang Yao & Mathias Lund Larsen (2019). Revising the 'host country standard' principle: a step for China to align its overseas investment with the Paris Agreement, Climate Policy, DOI: 10.1080/14693062.2019.1650702

² <https://wriorg.s3.amazonaws.com/s3fs-public/moving-green-belt-and-road-initiative-from-words-to-actions.pdf>

³ CCICED (2018). Special policy study on Green Belt and Road and 2030 Agenda for Sustainable Development.

⁴ <http://www.cciced.net/cciceden/POLICY/rr/pr/2019/201908/P020190830114510806593.pdf>

⁵ Tsinghua University Center for Finance and Development, Vivid Economics and the Climateworks Foundation (2019). Decarbonizing the Belt and Road: A Green Finance Roadmap

⁶ For example: Hughes, A. C. (2019). Understanding and minimizing environmental impacts of the Belt and Road Initiative, Conservation Biology; Liu X. et al. (2019). Risks of biological invasion on the Belt and Road, Current Biology 29, 499–505, 4 February, 2019.