China

Summary

China ranks third among the G20 non-Organisation for Economic Cooperation and Development (OECD) member countries, thanks to its relatively good transparency, commitments, and relatively low support to fossil fuel use per unit GDP. However, it continues to provide significant support for oil and gas production and fossil fuel-based power, mostly through state-owned enterprise (SOE) investments and price support. In absolute terms, China provides the largest amount of support for fossil fuels among all G20 countries, at USD 134.2 billion annually (2017–2019 average).

BIGGEST RED FLAG → China continues to heavily support fossil fuels through SOE investments, mostly in oil and gas production. It is also the largest provider of public finance for fossil fuels among all the G20 countries at USD 13.4 billion (2017–2018 average), with the China Development Bank consistently one of the largest providers by institution.

Overall ranking and score *(out of 8 countries)*	**3rd**	**B-**
1. Transparency	**1st** / Good	**$134.2 billion** total government support to fossil fuels, 2017–2019 average, USD ($1.5 billion direct transfers, $775 million tax expenditure, $43.1 billion induced transfers, $13.4 billion public finance, $75.4 billion SOE investment)
2. Pledges and commitments	**1st** / Strong	
3. Scale of support for coal exploration, production, processing, and transportation	**5th** / Medium	**$4 billion** of support to coal exploration, production, processing, and transportation
4. Scale of support for oil and gas exploration, production, refining, and transportation	**5th** / Medium	**$72.9 billion** of support to oil and gas exploration, production, refining, and transportation
5. Scale of support for fossil fuel power	**4th** / Medium	**$38.9 billion** of support to fossil fuel-based power
6. Scale of support for fossil fuel use	**1st** / Low	**$18.4 billion** of support to fossil fuel use
7. Progress in ending support for fossil fuels	**6th** / Poor	**35% increase** in overall support for fossil fuels relative to the 2014–2016 average

See Table 2 in the main report for score descriptions and their relationship to numerical scores. Estimates in the table are in USD ($) and are annual averages based on the following sources:

- *For direct transfers and tax expenditure: OECD data, 2017–2019 averages (OECD, 2020b)*
- *For induced transfers: International Energy Agency data (2020), 2017–2019 averages*
- *For public finance: Oil Change International (2020) data collected from several sources, 2017–2018 averages*
- *For SOE investment: capex data collected by Overseas Development Institute (2020) from annual reports, 2017–2019 averages*

Author: Joachim Roth

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PROGRESS → China has increased its overall support to fossil fuels by 35% relative to 2014–2016 averages. This increase is mostly due to a rise in price support for fossil fuel-based power and fossil fuel consumption (33%) and SOE investment (91%) in oil and gas production. The 91% SOE investment increase was provided by three oil and gas SOEs—the Sinopec Group, China National Petroleum Corporation, and China National Offshore Oil Corporation—for an aggregate capital expenditure totalling over USD 75 billion in 2019.

China took advantage of the fall in oil prices in 2014 to reduce some of its gasoline and diesel consumption subsidies, and it reduced its shale gas extraction subsidies between 2015 and 2019 (OECD, 2020a; Postic et al., 2017).

UNACCOUNTED FOR PROGRESS → China has recently pledged to achieve carbon neutrality by 2060 and will implement new stricter policies prior to 2030 to help achieve this goal (Farand & Darby, 2020).

MAIN UNACCOUNTED FOR AND UNQUANTIFIED SUPPORT → The indirect subsidization of rail freight tariffs for coal transport remains unaccounted for in this report (Gencsu et al., 2019; Xue et al., 2015).

COVID-19 GOVERNMENT SUPPORT → Hong Kong has provided a USD 3.52 billion bail-out of the Cathay Pacific airline company through loans and equity injections (International Institute for Sustainable Development et al., 2020; Lee, 2020).

TRANSPARENCY & PEER REVIEWS → China was the first country to do a joint peer review of its fossil fuel subsidies with the United States in 2016, as part of the G20 pledge (OECD, 2016). China's public finance institutions do not report on their investments at a comprehensive transaction level.

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