

## 5. Concluding remarks

China ratified the Kyoto Protocol in August 2002. Therefore China is an eligible country to participate in the scheme of CDM, but at the same time climate control policy is not one of the argent issues for Chinese government in government decision makers. Therefore China so far does not have any climate change mitigation policies in an explicit form. Ueta *et. al.*(2004) clarified that China-Japan CDM projects could bring win-win outcomes for both countries. Then, the report of this year examines on which region in China is most suitable as a site location of CDM projects from a viewpoint of China's sustainable development.

Let us summarize the information and results obtained by the researches in this report.

- 1) Southwest is most preferable as a site location of CDM according to the own value added acquisition rate criterion.
- 2) North west is most preferable as a site location of CDM according to the spillover criterion
- 3) Central region is most preferable as a site location of CDM according to the economic effects of the investment.
- 4) Central region is most preferable as a site location of CDM based on the reduction of CO<sub>2</sub> and SO<sub>2</sub> during the crediting period of CDM project.
- 5) South coast is most preferable as a site location of CDM based on the net effect of the reduction of CO<sub>2</sub> and SO<sub>2</sub>.
- 6) Southwest is most preferable as a site location of CDM in order to mitigate regional imbalance.

Judging from the overall score of variety criterions, our results confirm that the most preferable region as a site location of CDM is South coast followed by Southwest and Central region. In addition, these results show that China-Japan CDM can have a range of sustainable development co-benefits in line with China's domestic policy priorities, including reduction of damage in air pollutants such as SO<sub>2</sub>, mitigation of regional imbalance, improvement of energy efficiency etc.

The effectiveness of CDM is also confirmed by analyses in using a national base multi-sectoral model. When a construction of 9,000 MW class coal thermal power-plant is assumed as a CDM project, net effect of CO<sub>2</sub> reduction accumulates to 10.78 million ton-c and that of SO<sub>2</sub> to 371 thousand ton.

There are some barriers that Chinese and Japanese private enterprises face

when they try to implement CDM projects (see Ueta *et.al.* (2004)). One of the long outstanding barriers for China-Japan CDM projects is financing method. Export credit of Japanese government can be an option of financing, but it can be provided only when Japanese firms join in the project. The other option is indirect involvement of external public fund, effectiveness of which hinges crucially on the capacity of fund management. Last option is combination of direct ODA involvement and the ERPA provision. In order attain a win-win solution for both China and Japan, this option can be accepted since the projects can enhance sustainable development on the objective region through electrification and contribute mitigation of air pollution problem in China such as acid rain by introducing new technologies.

This study showed that financial leverage is required as catalyst in order to enhance technology progress in the electricity generation sector. The resulting co-benefits can furnish various long-term significant effects with economic growth and quality of life in China. To make China-Japan CDM scheme sustainable, we can provide the following information which we believe profitable for the host country as well as the investment country:

- (1) the most preferable region as a site location of CDM is South coast followed by Southwest and Central region,
- (2) support of Japanese government is indispensable to encourage implementation of CDM projects.

## Reference

Ueta, K., Inada, Y., Fujikawa, K., Mori, A., Na, S.I., Hayashi, T., Nakada, M, Konishi M., 2004. "Win-win Strategies of Global and Domestic Climate Change Policy for China, Asia and Japan," *Final Report of the International Collaboration Project on Sustainable Societies* Organized by the Economic and Social Research Institute, Cabinet Office, Government of Japan.