

# China closes factories as green deadline looms

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An iron and steel mill lies idle after it was ordered to shut down for polluting the Xiangjiang river basin in Loudi, central China's Hunan province. China has ordered thousands of companies to close high-polluting plants, in what analysts say is a last-ditch effort by Beijing to meet environmental targets by year's end or risk embarrassment.

China, facing the risk of embarrassment if it misses a looming environmental deadline, has ordered thousands of companies to close high-polluting plants as its leadership vies to retool economic growth.

Beijing has pledged to slash China's [energy consumption](#) per unit of [gross domestic product](#) by 20 percent between 2006 and 2010, as the world's biggest greenhouse gas emitter seeks to reduce pollution and clean up its environment.

Official data suggest China is likely to miss the year-end deadline --

potentially causing red faces for top leaders who have trumpeted efforts to curb emissions growth and develop [renewable energy](#).

"It is a gesture to show that the country is trying its best to achieve the target," Andy Xie, an independent economist based in Shanghai, told AFP.

"The leaders need to save face."

Beijing this month ordered 2,087 firms producing steel, coal, cement, aluminium, glass and other materials to close their old and obsolete plants by the end of September -- or risk having bank loans frozen and power cut off.

Authorities in the eastern province of Anhui have reportedly already cut off electricity to more than 500 factories for a month after they failed to meet emission reduction targets.

But only about a dozen factories will be closed entirely, with the rest ordered to shut down specific production capacity, according to the government order.

Tianjin Tiangang Union Iron and Steel Co. in northern China, for example, has been told to close two furnaces while Chaofeng Construction Materials Co., also based in northern China, has been told to shutter two production lines.

The move comes after China in July scrapped preferential power rates for energy-intensive industries, which had reduced their electricity bills by an estimated 15 billion yuan (2.2 billion dollars), according to state media.

Leaders in Beijing have been keen to promote their green credentials.

Ahead of global climate talks in Copenhagen last year, they pledged to reduce China's carbon intensity -- the measure of [greenhouse gas](#) emitted per unit of economic activity -- by 40-45 percent by 2020 based on 2005 levels.

China has earmarked 738 billion dollars to invest in developing clean energy over the next decade as it seeks to meet a target of generating 15 percent of its energy from renewable sources -- mainly wind and water -- by 2020.

It will host an extra round of climate talks in October before a UN summit in Mexico at the end of the year, as nations attempt to devise a successor to the Kyoto Protocol, whose binding targets expire in 2012.

"If Beijing fails to hit the 2010 target by a wide margin, its credibility on climate change commitments will be subject to a great deal of international scepticism," said Damien Ma, an analyst with the New York-based Eurasia Group, a political risk research and consulting firm.

At the end of 2009, China had reduced its energy consumption per unit of GDP by 14 percent, analysts said. But in the first six months of this year, it rose 0.09 percent -- the first year-on-year increase since 2006.

Striking a balance between maintaining economic growth and reducing pollution is difficult, Australian academic Frank Jotzo told AFP.

"They have got a really big battle at hand with the very rapid expansion of the economy," said Jotzo, deputy director of the Climate Change Institute at Australian National University.

While previous attempts to close high-polluting factories have been less than successful -- new plants often rise from the ashes of the old ones -- the stakes are much higher this time, analysts say.

The central government has been "leaning hard" on local officials, threatening to rescind their promotions if they fail to meet energy reduction targets, said Ma.

"I think the government understands that if it misses the 20 percent target, it will reflect very badly on China's reputation," said Yang Ailun, climate and energy campaign manager at Greenpeace China.

Yang likened the closure of factories to putting a band-aid over China's pollution woes, which have been worsened by decades of rampant economic growth.

"These factories should be phased out but it would be much better for the government to send out a very clear and long-term (energy) pricing signal and then design effective policies in support of that," she said.

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