

China's future is green, time to take a closer look

I've experienced China's pollution; over a billion people live with it every day!

By Sam Lecornu – CEO & CIO, Stonehorn Global Partners.

My head was pounding and the blood running from my nose wouldn't stop. It was 2010 and I was in the fitness room of the Grand Hyatt, Beijing. The preceding days were a blur of factory tours in Hebei and Shanxi provinces, punctuated by lazy Susan-style banquet dining.

It was heavy going, not helped by the return 400km trip which had taken twice as long as I expected. Our vehicle was consumed by a thick, heavy-set fog belching from nearby coal plants. The driver struggled with the lack of visibility. I had never seen anything like it, but I needed my suspicions confirmed. "Is that really pollution," I asked my interpreter.

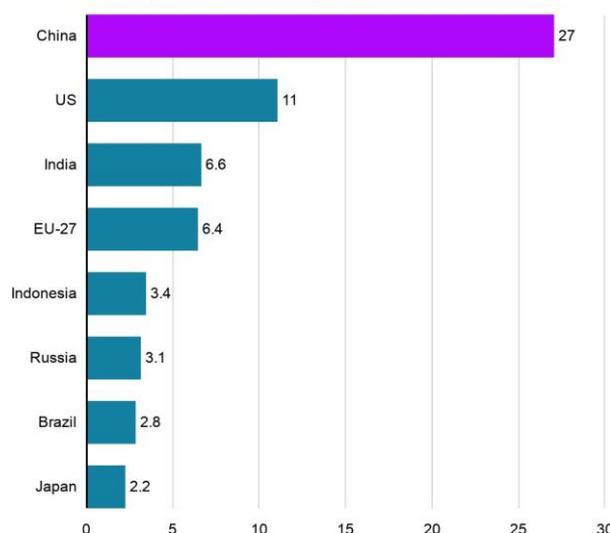
Indeed it was. China's Air Quality Index (AQI) goes as high as 500. That day, the air pollution was so bad it failed to register. We never found out the real reading, only that it was over the limit. I had been breathing in the equivalent of one packet of cigarettes a day and now, working out in the gym, I was feeling it.

Despite my nausea, I wanted to see the Forbidden City, a 30-minute walk from the hotel. I showered, rested a while and braced myself for the trek. Outside, life marched on. Mothers pushed young children in strollers, shoppers wandered the pavements, and visitors like me coughed our way to local attractions.

How much has changed since? As I look out of the window from my office in Central across Victoria Harbour, my children are walking to school. It's only a short ferry ride to the Kowloon side of Hong Kong but it is barely visible on bad days. And this is Hong Kong, hardly the prototype of a Chinese industrial city.

In the last decade, progress has been made but 70% of China's energy needs are still sourced from coal. According to Our World in Data, since 1940 China's CO₂ emissions have risen from 1.77% of global output to over a third. The [BBC reported in May](#) that, based on 2019 data, China's emissions exceeded all developed nations combined.

Greenhouse gas emissions (%)



Source: Rhodium Group

BBC

Without radical action, this figure will likely increase. For the health of its people and the planet, China needs to step up.

Western media offers the impression that this is unlikely. President Xi's absence from COP26 in Glasgow was taken as another sign that China was placing its economic interests over those of the planet. 'It is a gigantic issue and they just walked away,' [said](#) Joe Biden.

I don't buy this simplistic trade-off. The Nordic countries and the UK have substantially increased their renewable energy output. Both have enjoyed rates of economic growth similar or higher than other western nations yet to embark on their energy transition. The switch to renewables need not involve an economic penalty. The Chinese are aware of this point and are building a future based on its acceptance.

Nor do I accept that China has walked away, although many western politicians and commentators clearly do.

In September, European Commission President Ursula von der Leyen urged China to release more detailed plans about its carbon neutrality ambitions. Joanna Lewis, an expert in China, climate, and energy at Georgetown University, called China's revised goal of emissions peaking before 2030 "disappointing". Li Shuo of Greenpeace East Asia said, "China's choice epitomises the lack of determination to step up action among major economies." There is no shortage of commentators lecturing China about the need to do more.

As with the reporting over 'common prosperity' and China's introduction of rules governing the tech sector, this perspective is lazy and superficial. In the documents we are reading and the conversations we are having, China's ambitions are clear. The country wants to be a global renewable energy power and is putting its money where its mouth it.

The information is out there. [China's Achievements, New Goals and New Measures for Nationally Determined Contributions](#), for example, outlines China's philosophy and goals on addressing climate change. If you care about ESG and impact investing, **I urge you to read it.**

The paper details new measures to implement and promote international cooperation and notes that phasing out coal will lead to massive investment and growth opportunities in solar, wind, hydroelectricity, batteries, and electric vehicles.

The investment consequences are staggering. China plans to achieve net-zero carbon emissions by 2060 by investing in related industries each year an amount greater than Australia's annual GDP. That's an estimated investment of US\$76 trillion between now and 2060.

Think about that for a moment. The western media is missing China's determination to address the problem and one of its key consequences; this is likely to be one of the best investment opportunities of our lifetimes.

The west hasn't worked this out yet but eventually, it will. In recent months, the investment team at Stonehorn has been pulling together the threads, reading the key documents and interviewing people on the ground.

In mid-January, we'll publish our December quarterly. It will address China's plan to cease being the world's biggest greenhouse gas producer and become a global leader in clean energy technology. The aim is to help you understand the country's transformative ambition and the opportunities it will deliver because, right now, few in the west really do.



About Stonehorn Global Partners

Stonehorn Global Partners (Stonehorn) based in Hong Kong is boutique asset manager majority owned by its staff and believes an alignment of interest with their clients is what builds sustainable partnerships. Stonehorn's founding members have partnered together in Asia for over 13 years and have a long and strong record investing in Asian equities. Since then, they have built an extensive network of relationships with Asian companies, government bodies and industry contacts.

This level of access together with their experience allows them to select investments carefully by cross-checking investment assumptions with management discussions, financial analysis, and industry checks.

Stonehorn conducts research via a deep dive bottom-up approach focusing on Environmental, Social and Governance (ESG) factors. Stonehorn's proprietary due diligence and research methods are based on a seamless collaboration with each member correctly trusting each other.

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