U.S.-China Track II Dialogue on Climate Finance and Trade
September 4-5, 2024
Chairs' Report

The fourth round of the U.S.-China Track II Dialogue on Climate Finance and Trade was held in New York City on September 4-5, 2024. The dialogue is jointly organized by the National Committee on U.S.-China Relations (NCUSCR), the Center on Global Energy Policy (CGEP) at Columbia University, the Institute of Energy, Environment, and Economy (3E Institute) at Tsinghua University, and the Beijing Green Finance Association (BGFA). The dialogue is co-chaired by David Sandalow, inaugural fellow at CGEP, and Stephen Orlins, president of NCUSCR on the U.S. side; Ma Jun, president of the Institute of Finance and Sustainability, and Zhang Xiliang, director of the 3E Institute at Tsinghua University, on the Chinese side. A list of participants is included below. During the two-day dialogue, former senior government officials and climate finance and technology experts from the United States and China discussed climate-related foreign direct investment and trade, carbon markets, COP29 climate finance issues, climate-related financial disclosures, green technologies, and assistance to the Global South.

No formal votes were taken during the Dialogue, however most participants appeared to agree with the following.

- **Cooperation between the United States and China can help accelerate the global response to climate change.** That cooperation can involve many different types of institutions, including national governments, subnational governments, businesses and universities. Continued dialogue between U.S. and Chinese stakeholders in climate change and energy issues is important for mutual understanding and developing optimal solutions to climate change challenges.

- **Political tensions between the U.S. and Chinese governments threaten to delay the pace of decarbonization globally.** Bilateral trade, investment, and technology cooperation between the United States and China in low-carbon technologies has declined sharply in recent years and in some cases has come to a complete halt. Factors contributing to the decoupling of the two countries in climate-related areas include national security concerns, tariffs and non-tariff barriers, and concerns that future policy changes may put investments at risk.

Participants in the dialogue made a wide range of other points. Highlights of the discussion are included the following.

1. The idea of a whitelist for climate collaboration was discussed at length.

   A. Some participants proposed adoption of a whitelist by the U.S. and Chinese governments. The whitelist would include activities (including trade, bilateral investment, and technology cooperation) in specific areas that are welcome

by both governments and are not within the scope of policy restrictions or sanctions for reasons related to national security. The first version of the whitelist could be brief, mainly focusing on areas that are entirely for civilian usages, such as plastic recycling, food waste recycling, construction water recycling, methane reduction in agriculture, water saving technologies, and energy efficiency for buildings.

B. Other participants noted that such a whitelist has not won support in the U.S. government and is unlikely to do so under either Democratic or Republican administrations. They explained that the lack of support for a whitelist is in part because the U.S. government's concerns with respect to Chinese imports cover a range of issues, not just national security risks. These other issues may include government subsidies for trade, supply chain resilience, and human rights issues.

2. Several members of the delegations proposed that the United States and China should actively explore collaboration in promoting green and low-carbon investments in emerging market and developing economies (EMDEs). For example, the United States, China, and Europe could consider jointly launching a green guarantee fund -- a global facility that provides financial guarantees to green and sustainable projects in low-income countries, thereby leveraging many multiples of global private sector financing to support the decarbonization efforts. Other participants questioned whether such collaboration could be politically feasible given differences in approaches and tensions between the two countries.

3. One participant proposed a Nationally-Determined Contribution (NDC) system for climate finance, in which countries would declare their financial commitments alongside emissions targets. This would include identifying how much public and private capital each country can mobilize.

4. Some participants proposed that U.S. states and Chinese provinces build on current cooperative programs related to climate change and clean energy. These programs could involve knowledge-sharing on policy approaches and mutually-beneficial commercial relationships. The potential for California and Guangdong-Hong Kong-Macao Greater Bay Area to establish a more regular cooperation mechanism was noted.

5. A few participants said the United States and China should enhance educational and scholarly exchanges on climate and broader environmental issues. Governments, universities, NGOs, and philanthropic organizations could support and organize more visiting research fellow and student exchange programs on topics such as climate and environmental science, climate finance, and green technologies, and could host conferences on specific topics such as carbon markets, carbon accounting, sustainability disclosure, circular economy, as well as nature and biodiversity preservation.

6. Participants discussed China-U.S. collaboration on capacity building for the Global South. The Capacity-building Alliance of Sustainable Investment (CASI), which was initiated by the Institute of Finance and Sustainability led by Dr. Ma Jun, received special attention as a leading example of global collaboration in this area. CASI, aimed at training 100,000 green finance professionals in EMDEs by 2030, is now a global platform involving 67 institutional members, with nine Chinese organizations and seven American organizations.

Similar capacity building services for the Global South are needed in areas of renewable technologies, green buildings, sustainable transportation, sustainable urban planning, as well as nature and biodiversity protection.

7. Carbon markets were discussed at length.

A. Some members of the delegations said China and the United States should collaborate on enhancing the role of carbon markets and improving connectivity of these markets. They said that the lack of interoperability of different markets and the siloed approach in developing domestic market standards have significantly limited the potential of these markets, and that the United States and China should actively join the global efforts to promote the adoption of a consistent set of carbon market principles and the connectivity of voluntary carbon markets globally.

B. Other participants said that, in their view, the environmental integrity of carbon market principles matters more than the adoption of consistent international principles. They expressed particular concern about international voluntary carbon markets, saying that those markets too often include carbon credits that are neither additional nor permanent, delaying the transition to carbon neutrality.

8. Several participants proposed that China, the United States, and Europe should join efforts to improve availability of affordable green technologies to low-income countries. These participants said that, since China, the United States and Europe have the majority of the R&D capability on green and low-carbon technologies, they should consider working together under a UN platform to host and disseminate information of green technologies that are suitable for low-income developing countries, and provide technical support to developing countries users for local adoption.

9. Participants discussed a wide range of issues related to climate and trade, including global standards for measuring the carbon of traded goods, the need for better data collection and sharing mechanisms to facilitate equitable trade measures and the role the WTO. The use of advanced technologies to measure carbon footprints in supply chains was highlighted as an area for potential U.S.-China cooperation.

The discussion at the dialogue contained considerable detail and richness beyond the points in this Chairs' Report. Participants agreed that such dialogues are extremely valuable and looked forward to the chance to convene again in 2025.

Chinese Participants

AN Feng	Founder and President, Beijing Innovation Center for Energy and Transportation (iCET); Schwarzman Scholar Industry Mentor, Schwarzman College, Tsinghua University
CHEN Lei	President, Beijing Boya Smart Technology Co., Ltd.; Vice President, Beijing Green Finance Association (BGFA)
HE Gang	Assistant Professor, Marxe School of Public and International Affairs, Baruch College, City University of New York
MA Jun	Honorary President, BGFA; Chairman, Green Finance Committee of China Society for Finance and Banking; Founder and President, Institute of Finance and Sustainability; Former Co-Chair, G20 Sustainable Finance Working Group
QI Ye	Professor and Acting Dean, Society Hub at the Hong Kong University of Science and Technology (Guangzhou)
QIN Hu	Vice President, Chief Representative for China, Environmental Defense Fund (EDF)
SHAO Shiyang	CEO, Henan Environment & Energy Service Center; Vice Secretary General, BGFA
SUN Yiting	Councilor, China Society for Environmental Sciences (CSES); Standing Member, Climate Investment and Finance Association, CSES; Council Member, BGFA
WANG Jianxia	Director and Deputy Secretary-General, Beijing Voluntary Emission Reduction Exchange Center; Member and North America Representative, Green Low-Carbon Professional Committee, China International Entrepreneurs Association
ZHANG Xiliang	Professor and Director, Institute of Energy, Environment, and Economy, Tsinghua University; Member, National Expert Panel on Climate Change; President, China Carbon Emissions Trading Association; Vice President, BGFA
ZHOU Zhixing	Chair, U.S.-China New Perspectives Foundation
SUN Xiao	Secretary General Assistant, Director, MICE and Training, BGFA

Keynote Speaker

Charlene Barshefsky	Chair, Parkside Global Advisors; Former U.S. Trade Representative

American Participants

Sarah Dougherty	Former Financial Risk Management Project Analyst, Federal Home Loan Bank of Atlanta
Edmund Downie	PhD Candidate, Public Affairs, Princeton University School of Public and International Affairs
Dan Firger	Managing Partner, Great Circle Capital Advisors
Kelly Sims Gallagher	Dean, The Fletcher School of Law and Diplomacy, Tufts University
Mark Gallogly	Co-Founder, Three Cairns Group
Suzi Kerr	Senior Vice President and the Chief Economist, EDF
Joanna Lewis	Provost Distinguished Associate Professor and Director, Science, Technology, and International Affairs, Georgetown University
John Morton	Managing Director and Head of Americas, Pollination Group
Mary Nichols	Vice Chair, China-California Climate Center; Co-Chair, Coalition for Reimagined Mobility
Stephen Orlins	President, National Committee on U.S.-China Relations (NCUSCR)
Sheldon Pang	Vice Chairman, Freepoint Commodities
Jonathan Pershing	Program Director of Environment, William and Flora Hewlett Foundation; Former United States Special Envoy for Climate Change
David Sandalow	Inaugural Fellow, Center on Global Energy Policy (CGEP), Columbia University
Li Shuo	Director, China Climate Hub, Asia Society Policy Institute

Taiya Smith	CEO and Co-Founder, Phylleos Inc.; Senior Associate (non-resident), Energy Security and Climate Change, Center for Strategic and International Studies
Todd Stern	Nonresident Senior Fellow, The Brookings Institution; Nonresident Distinguished Fellow, Asia Society Policy Institute; Former United States Special Envoy for Climate Change
Trevor Sutton	Director, Program on Trade and the Clean Energy Transition; Senior Research Associate, CGEP
Zhou Xizhou	Executive Vice President, Global Head of Power and Renewables, Wood Mackenzie