

Memorandum of Understanding between
The Government of the Federal Republic of Germany and
The Government of the People's Republic of China
on the Establishment of the Dialogue and Cooperation Mechanism
on Climate Change and Green Transition

The Government of the Federal Republic of Germany (the "German side") and the Government of the People's Republic of China (the "Chinese side", hereinafter referred to as the "Sides"),

reaffirm their strong commitment in advancing the effective implementation of the 2030 Agenda for Sustainable Development, as well as the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement, and decisions taken by the respective *Conferences of the Parties (COPs)*.

The two Sides recall the goal of Article 2 of the Paris Agreement to hold global average temperature increases to less than 2°C above pre-industrial levels and to work towards limiting temperature increases to 1.5°C above pre-industrial levels, while increasing adaptability, fostering resilience and low greenhouse gas emissions (GHG) development, as well as making finance flows consistent with pathway towards low greenhouse gas emissions and climate-resilient development.

Both Sides notice that the impacts of climate change will be much lower at a temperature increase of 1.5 °C compared with 2 °C. They therefore stress that all Signatories of the UNFCCC and the Paris Agreement adopted thereunder should pursue efforts to limit the temperature increase within 1.5 °C, based on the principles of equity, common but differentiated responsibilities and respective capabilities, taking into account their respective national circumstances. The sides will accordingly take accelerated ambitious climate actions in this critical decade.

They reaffirm their respective commitments and related efforts, namely, the German side's commitment to reducing emissions by 65 % until 2030, compared to 1990 levels, and to achieving climate neutrality by 2045 and the Chinese side's commitment to strive to peak CO₂ emissions before 2030 and work towards carbon neutrality before 2060.

The Sides acknowledge the important role they play in combatting climate change, not least with regard to their strong industrial bases, while emphasizing the good foundation of cooperation between the Sides in the field of climate change and green low-carbon development, and their willingness to work together to seize opportunities and address related challenges.,

The Sides recognize that the challenges of climate change and biodiversity loss are inextricably interlinked and mutually reinforcing and are committed to leveraging synergies between climate and biodiversity action and stepping up implementation of Nature-based Solutions and/or Ecosystem-based approach, as defined in United Nations Environment Assembly (UNEA) 5/5 resolution “Nature-based Solutions for Supporting Sustainable Development”.

In this context, the two Sides acknowledge their cooperation on combatting climate change as a contribution to European Union (EU)-China cooperation, multilateral cooperation and global climate action.

The Sides decide to establish a dialogue and cooperation mechanism on climate change and green transition under the framework of the Sino-German Government Consultation, and have come to the following understanding:

Section 1 Objectives of Cooperation

The Sides will carry out dialogue and enhance cooperation to achieve practical results in the field of green and low-carbon development, with the goal of promoting green and low-carbon transition towards the accelerated implementation of climate action, individually, jointly and within multilateral fora, according to different national circumstances.

Section 2 Fields of Cooperation

On the basis of their existing cooperation, the Sides plan to carry out dialogue and cooperation in the areas mentioned below, in order to accelerate climate action, the energy transition and climate technology innovation in both countries.

In addition to their cooperation at national level, the Sides will aim to implement Sino-German cooperation pilots with participation of selected Chinese Provinces, German Federal States and sectors, in order to build capacity and exchange experience to accelerate implementation of emission reduction at subnational and sectoral level.

(1) Industrial decarbonization

The Sides will strengthen policy exchange and cooperation, in order to support the goals of emissions reduction in their respective industries.

They will exchange views on the policy framework, standard system, and certification rules required for industrial decarbonization, and regarding the standards related to green low-carbon products and carbon capture, utilization, and storage (CCUS) facilities. In particular, the Sides will exchange on strategies for emissions reduction in

the sectors cement, steel, chemical industry and pulp and paper.

Taking into account their national conditions, the Sides will work together on promoting industrial emission reduction and decarbonization globally, in particular through cooperation in the development of relevant international standards and regulations.

In this regard, they will make good use of existing cooperation mechanisms, such as the Sino-German Working Group on Environment and Climate Change and the Working Group on Energy Efficiency, and agree to explore the setting up of a new working group between the German Federal Ministry for Economic Affairs and Climate Action (BMWK) and the Chinese Ministry of Industry and Information Technology (MIIT) on framework conditions and concrete actions for industrial decarbonization.

(2) Energy transition and renewable energy

The Sides will strengthen exchanges and cooperation on energy policy formulation and the energy transition process at both national and subnational level, in order to support their related energy goals of reaching climate/carbon neutrality in Germany by 2045 and before 2060 in China.

A particular focus of the exchange is on the continuous expansion of renewable energy, the flexibilization of the electricity system, sector coupling, and the development of a green power market.

The Sides underline the central role of renewable energy technologies such as photovoltaic and wind energy in promoting green and low-carbon energy transition. They are willing to strengthen communication and collaboration for a smooth, stable, open, inclusive global supply chain for energy transitions.

In this regard, the Sides will make use of existing cooperation mechanisms such as the Sino-German Energy Working Group.

(3) Energy conservation and energy efficiency

The Sides will enhance policy exchange and cooperation in energy conservation and efficiency, adhering to the principle of “efficiency first,” to support each other in achieving their respective energy-saving goals.

The Sides will continue their cooperation on Sino-German demonstration projects for energy efficiency in cities and for energy efficiency networks. They will also explore the potential for establishing demonstration projects focused on key industries, such as the cement industry.

The Sides are willing to strengthen cooperation under the framework of the International Energy Efficiency Center (EE Hub) and actively promote the "Best Energy Efficiency Technologies and Best Energy Efficiency Practices" (Double Top Ten) Working Group and the Working Group on Energy Efficiency in Buildings and other related activities.

In this regard, the Sides will continue to leverage the role of the Sino-German Energy Efficiency Working Group, strengthening exchange and cooperation in energy conservation and efficiency. They also agree to gradually expand this mechanism between BMWK and the National Development and Reform Commission (NDRC) to cover broader exchanges and dialogues on climate change and green transition.

(4) Circular economy and Resource efficiency

The Sides recognize the significant role of the circular economy in addressing climate change, reducing resource consumption, mitigating environmental pollution, and protecting biodiversity. They agree to establish the Sino-German Dialogue on Circular Economy and Resource Efficiency, further enhancing exchange and cooperation in this field.

The Sides will engage in policy exchange and mutual learning of best practices in circular economy, with the aim to support resource efficiency improvement and achieving related Sustainable Development Goals (SDGs).

(5) Climate Partnership and multilateral climate agenda

The Sides will deepen the Sino-German partnership on environment and climate, and deepen cooperation in climate investment and financing, climate change adaptation, carbon footprint, carbon labeling, etc., while taking the German embeddedness in the EU into account. They will continue to carry out dialogue, exchange and cooperation in other environmental fields.

In this regard, they will make use of the existing cooperation mechanisms such as the Sino-German Working Group on Environment and Climate Change. The Sides also stress the importance of the work of the existing Track 2-Dialogue and will further deepen and enhance their cooperation in this format.

(6) Greenhouse Gas Emissions Trading

The Sides will strengthen their dialogue on greenhouse gas emission trading policy in the framework of the Sino-German Working Group on Environment and Climate Change, as well as technical level cooperation, to learn from each other's experience, and to promote the development of carbon markets on both Sides, jointly making

positive contributions to addressing global climate change.

A particular focus of the exchange will be on the following measures to promote and strengthen the development of carbon markets: scope extension of the Emission Trading System (ETS), Monitoring, Reporting and Verification (MRV) rule, improved allocation mechanisms and auctioning, refinement of key building blocks (e.g. legislation, infrastructure), cap setting, alignment with 2030/2060 targets, strengthening of market functioning and price signal.

Moreover, the Sides will strengthen exchanges on mitigation of non-CO₂ Greenhouse Gases, including:

- Exchange of experiences and good practices in monitoring, reporting and accounting and technological solutions for mitigation of non-CO₂ GHG emissions
- Research on policies and measures for non-CO₂ GHG emission control and mitigation, including market-based measures to incentivize GHG emission reduction

(7) Green transportation

The Sides will promote policy exchanges and cooperation in the field of green transportation, which will further contribute to energy conservation and emission reduction in their respective transport sectors (e.g. logistics, highway and water transport).

In this regard, the Sides will make good use of existing mechanisms such as Sino-German Working Group on Environment and Climate Change and the Sino-German Mobility Forum.

(8) Sustainable finance

The Sides will strengthen cooperation in multilateral platforms such as the G20. They will encourage more eligible institutions to issue green bonds in each other's markets, strengthen research and exchange on managing climate-related financial risks, and promote green financing. They look forward to continuing cooperation on the matter of transition finance, both bilaterally as well as in the frameworks of G20.

Section 3 Forms of Cooperation

Within the framework of the Mechanism, cooperation may include, and is not limited to, the following forms.

- (1) High-level dialogue through bilateral and multilateral meetings;
- (2) Expert exchange through joint studies, workshops, conferences, delegation trips and

other activities, where appropriate with participation of relevant stakeholders, including business representatives from both sides;

(3) Involvement of business representatives of both sides regarding activities under this Mechanism;

(4) Jointly building demonstration projects

(5) Other forms of cooperation as agreed by the Sides.

Section 4 Organizational Structure

The Sides aims to build a dialogue and cooperation mechanism with interdepartmental participation.

(1) The German side is led by the Federal Ministry of Economic Affairs and Climate Action, with the Minister as the German lead. The Federal Foreign Office, the Federal Ministry for Environment, Nature Conservation, Nuclear Safety and Consumer Protection, Federal Ministry for Economic Cooperation and Development, and the Federal Ministry for Digitalization and Transport will join as members of the Mechanism. Other Ministries can be invited to join the Mechanism. The Department of Foreign Economic Policy of the Federal Ministry of Economic Affairs and Climate Action assumes the role of the secretariat for the German side.

(2) The Chinese side is led by the National Development and Reform Commission of China, with the Chairman as the Chinese lead. The Ministry of Foreign Affairs, Ministry of Industry and Information Technology, Ministry of Ecology and Environment, Ministry of Transport, People's Bank of China and National Energy Administration will join as members of the Mechanism. Other Ministries can be invited to join the mechanism. The Department of International Cooperation of the National Development and Reform Commission assumes the role of the secretariat for the Chinese side.

(3) In principle, the Mechanism will hold a plenary meeting once a year, to conduct high-level dialogue, take stock of the progress of cooperation in the areas listed in Section 2 and provide strategic guidance for future cooperation. The plenary meeting is convened and chaired by the leads of the Sides or high-level officials designated by the respective leads, with the participation of representatives for the members of the mechanism.

(4) The Sides may establish new working groups or use existing cooperation mechanisms or platforms in accordance with the cooperation areas listed in Section 2. The existing bilateral or multilateral cooperation mechanisms or platforms will continue to operate and will not be affected by the new mechanism. The relevant ministries of the Sides are responsible for the working groups, mechanisms or platforms,

according to the division of functions, and will formulate cooperation plans in relevant areas if necessary. The secretariats of the Sides should play a coordinating role. The Federal Ministry of Economic Affairs and Climate Action and the National Development and Reform Commission may designate another entity respectively in assisting the function of the secretariats.

(5) The plenary meeting of the mechanism will be held alternately in the Federal Republic of Germany and the People's Republic of China. Under special circumstances, it may be held via video, when deemed appropriate.

Section 5 Cost Bearings

In principle, each Side will bear the costs that it incurs in the implementation of the dialogue and other activities under the framework of the Memorandum of Understanding (MOU). The Sides intend to make good use of existing funding programs and, if necessary, to actively develop new cooperation funding programs to support relevant activities under the framework of this mechanism.

Section 6 Validity

This MOU will be applied initially for a period of five years from the date of signature. Its application may be extended for another five years, provided both Sides agree. They will endeavor to take a joint decision on this at least six months before the end of the five-year term. The contents of the text of the MOU may be amended with the mutual written consent of the Sides.

This MOU is not meant to constitute an international treaty or to create any rights or obligations under international law.

This MOU is signed on June 20, 2023 in Berlin, in the German, Chinese and English language. In case of divergence, both Sides will conduct friendly consultations on the basis of the English version.

Government of
the Federal Republic of Germany
Representative

Government of
the People's Republic of China
Representative
