



Should the United States, Australia and like-minded allies cooperate or compete with China when it comes to fighting climate change?

7 Xuyang Dong and Noah Gordon

Strategic competition between the United States and China has expanded into the realm of climate change and clean energy. In 2024, US President Joe Biden quadrupled US tariffs on Chinese electric vehicles (EVs), while Australia and the United States formalised climate and clean energy as the ‘third pillar’ of the Australia-US alliance in 2023. Yet at the same time that China is the world’s largest polluter, it has also invested record amounts in clean energy technology.

As part of the USSC *The Debate Papers*, the Centre invited Xuyang Dong, China energy policy analyst at Climate Energy Finance, and Noah Gordon, acting co-director of the Sustainability, Climate and Geopolitics program at the Carnegie Endowment for International Peace, to discuss whether the United States, Australia and other like-minded allies and partners should cooperate or compete with China when it comes to fighting climate change.

The Debate Papers provides a platform for learned voices to argue issues affecting the United States and Australia. These counterpoints traverse topics such as economics, foreign policy and politics. Conclusions are derived independently and authors represent their own view, not those of the United States Studies Centre.

Climate collaboration is a pathway to success



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Countering the global existential threat of climate change requires more than cooperation between like-minded allies. It requires global collaboration.

The traditional geopolitical lens is at odds with this approach. It ignores the reality that climate change is both a common enemy spanning the globe and the greatest threat to nation states' sovereign security and interests, as well as economic, energy, water and food security.

The shortcomings of geopolitics

Geopolitics prioritises the defence aspect of security and looks to measures like trade sanctions to penalise adversaries and protect economic interests. Yet it neglects the value of nations' common interest in collaboration to deploy trade relationships, technology exchange and co-invested capital at the speed and scale required to collectively solve the problem that is the shared, defining challenge of our age.

The latest US and EU tariffs on China's low-cost, high-quality solar modules and electric vehicles are a case in point, undermining the global benefits of world trade in clean technology or 'cleantech' — and suggesting the World Trade Organization is being relegated to history. These trade sanctions may have the perverse effect of slowing the energy transition in Western economies and could harm domestic consumers and industry.

The reality is that China holds a number of the keys to solve climate change, with regards to technology, capital, strategy, and the scale of its manufacturing capacity. It makes strategic sense to look beyond geopolitical contentions and differences to work with those who hold the solutions.

Australia's path forward

Australia needs to chart a different path to the United States that is in its national interest. While Australia's domestic economy is relatively small, its 'weight' in global resources and energy trade is huge, and China's climate and energy transition solutions present a transformative investment, trade and employment opportunity for Australia. Mutual benefit lies in Australia cooperating and co-investing with its top trade partner as Australia leverages its supply chains, global economies of scale, and world-leading innovation in transition technologies, including solar, batteries, wind, EVs and the robotics underpinning their modern manufacturing.

China now owns much of the world's most advanced clean energy technology as a result of massive private R&D investment over decades, aligned with the centrally mandated delivery of China's energy transition and climate goals.

China's cleantech manufacturing capacity leadership is well-established and growing. For example, its solar panel manufacturing capacity is already big enough to supply the world's total annual installs twice over and now accounts for 93% of global polysilicon production. The scale of this production has dramatically decreased polysilicon prices, down 43% in China since the beginning of the year, making solar the world's cheapest clean energy resource. This is positive news for global energy markets, especially for emerging markets and developing economies in the Global South who can now access inexpensive, high-quality solar panels and time-shift supply into their evening peak using Chinese batteries, with prices of these in China down 50% since last summer.

The world needs to better distribute and leverage globally the climate and energy solutions provided by China's R&D, innovation, manufacturing and export of cleantech, especially in the developing world, tapping into the market appetite of the Global South for climate solutions that are cost competitive and secure energy independence.

Australia should encourage all countries with advanced technology and capital to accelerate their collective investments in clean energy — with the staggering scale of China's investments providing impetus for a global 'race to the top' — while working to concurrently boost developing countries' local decarbonisation progress towards more sustainable and equitable economic development. This creates opportunities for collaboration from all wealthy nations, particularly for Australia given its very complementary competitive advantages in renewable energy and natural resources, which are critical to energy transition.

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Further, converting the overcapacity of China's cleantech exports, which the United States and others claim is 'flooding the market,' into rapid deployment of energy solutions in emerging and other markets is arguably the key enabler of global decarbonisation in a timeframe necessary to address the climate crisis.

Collaboration is a pathway to success

The recent joint venture initiative between Australia's leading solar start-up, SunDrive, which produces some of the world's most efficient solar cells, and China's biggest solar panel manufacturer, Trina Solar, is a case study of collaboration with China on the decarbonisation technology that underpins climate mitigation. This new majority Australian-owned joint entity is a clear endorsement of the Albanese government's \$1 billion photovoltaic domestic manufacturing incentive program, Solar Sunshot, and its broader 'Future Made in Australia' economic decarbonisation and industry development strategy — Australia's homegrown response to the 2022 US *Inflation Reduction Act* — leveraging both countries' respective world leadership in solar.

Chinese companies are now increasingly building cutting-edge technology factories overseas, including in the United States. This is a technology exchange beneficial for any country's energy transition progress, building strong, lasting bridges of substance. Once the solar manufacturing facility is built it becomes the partner country's fixed onshore asset — a win-win.

The world urgently needs to accelerate its decoupling from fossil fuels as the window to mitigate climate change closes. It is time for a trade-driven, pragmatic approach to our global energy transformation that extends beyond geopolitical rivalries. ❖

Competition between rival powers is beneficial for climate change mitigation



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Competition between rival powers is more beneficial for climate change mitigation than is generally realised.

Political analysts long understood the climate crisis as a collective action problem. The idea was that since all countries benefit from reduced greenhouse gas emissions, each country is tempted to ‘free-ride’ and let others spend lots of money to replace fossil-fueled cars with electric vehicles. According to this idea, only by agreeing to cooperate and restrain themselves from self-serving actions, could the energy transition take place.

Newer research shows this is only partially true. It is generally not international treaties that determine climate policies, but rather the interests of key domestic groups, like oilmen in Texas or Western Australia who want to keep profitably pumping, or factory owners in Shandong who want cheap coal power to keep their assembly lines running.

Self-interest is therefore one reason for the failure of the major global climate agreements so far, from Kyoto to Paris. But now that clean energy is becoming a route to wealth and national power, we are increasingly seeing the benefits of competition, even between rival powers like China on the one hand and the United States, Australia and other allies on the other.

The benefits of competition

China is by far the world leader in clean energy: in 2024 it added more renewable power than the rest of the world combined. There are also more EVs on the road in China than in the world combined. Beijing’s long-term industrial strategy to develop renewable energy is paying off.

Why has China been doing this since the early 2000s? The primary objective has not been to reduce emissions. Indeed, China remains the world’s largest polluter and Western countries blame China for “sabotaging” the critical talks at the 2009 UN climate conference in Copenhagen, when negotiator He Yafei refused to commit to emissions cuts and blamed Western states for causing the climate crisis. “Whoever created this problem is responsible for the catastrophe we are facing,” he added.

Swapping petrol tanks for batteries to clear smog from Chinese cities, reducing dependence on foreign oil or coal imports that could be interrupted in a conflict, controlling supply chains for key minerals to thus dominate “strategic emerging industries” — these are the objectives that Chinese climate policy has primarily sought to achieve, with emission reductions a pleasant byproduct.

And why was the United States finally able to provide serious government support for clean energy, in the form of the *Inflation Reduction Act*? The key vote in the Senate, Democrat Joe Manchin of West Virginia, explained that he supported this climate bill in order to achieve “American energy independence” and avoid “relying on Chinese President Xi for the critical minerals our economy needs.” In Washington now, competition with China is the one thing that gets both parties to consider climate measures like a carbon border tax on imports.

Soft power of climate leadership

As the fallout from climate change grows more severe, rival powers will increasingly compete for the soft power that comes with climate leadership. When former president Donald Trump pulled the United States out of the Paris Agreement in 2020, Xi Jinping didn't change plans because the United States wasn't cooperating. He saw a chance to appear to the world as a climate leader, proclaiming to the United Nations that China would achieve net zero carbon emissions by 2060. The US intelligence services describe the “perception of insufficient contributions to reduce emissions” and “developing country demands for financing and technology assistance” as high risks to US security in the 2030s and 2040s.

Competition can spur climate action — and is doing so. Yet we can't pretend that we will solve the problem with competition alone, because there are important measures that competition cannot catalyse, namely those that don't make states directly richer or safer.

Competition with the opposing superpower won't get the United States to shut down its profitable oil companies, nor China to turn off coal plants before they're amortised, sending all the workers home and driving local governments further into debt. Nor will competition get states to pay for expensive carbon dioxide removal, which the UN's Intergovernmental Panel on Climate Change is counting on to achieve the Paris Agreement targets. “Why should we pay for those negative emissions, when it would be just as effective if China did it?” a politician might ask.

We must also worry that interstate competition could spin out of control. In recent years, economic conflict has escalated between China and the United States and its allies, with Western states preventing China from accessing advanced semiconductors, and China restricting exports of minerals important to the energy transition, like graphite. This tit-for-tat increases tensions. The nightmare is that tension could erupt into a war over Taiwan, derailing the energy transition and much worse.

Competition isn't sufficient to tackle climate change. But it does help. And in a world of self-interest, with opposing superpowers at each other's throats, that's something to be thankful for. ❖

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