

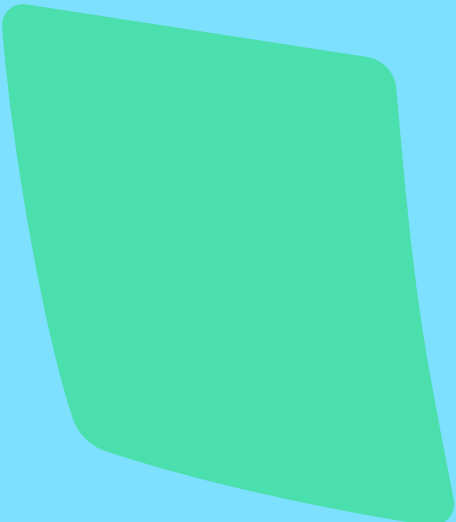
CHINA'S 15TH FIVE-YEAR PLAN AND 2035 NDC: WHAT THEY SIGNAL FOR INVESTORS

PRI investor briefing – April 2026

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United Nations
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About this briefing

China’s 2035 Nationally Determined Contribution (NDC), submitted to the UNFCCC in November 2025, and the 15th Five-Year Plan (2026–2030) released in March 2026, together serve as the primary policy anchors for the next phase of the country’s economic and climate transition. The 2035 NDC marks a structural shift in China’s climate policy by introducing its first economy-wide absolute emissions reduction target. The 15th Five-Year Plan, as China’s central blueprint for national economic and social development, positions green transformation as a core economic priority. As in previous planning cycles, sustainable finance is likely to remain one channel supporting implementation.

This investor briefing explores China’s policy signals through the lens of these two landmark policy documents, in the context of broader global trends toward a net-zero transition. It aims to translate recent policy signals into their potential implications for investors operating in or allocating capital to China, with a focus on long-term transition risks, opportunities, and capital reallocation dynamics.

The briefing draws on interviews with PRI signatories but does not seek to represent the views of signatories collectively.

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To inform this paper, the following group has been consulted: China Regional Policy Reference Group

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Why China matters in the global net zero transition

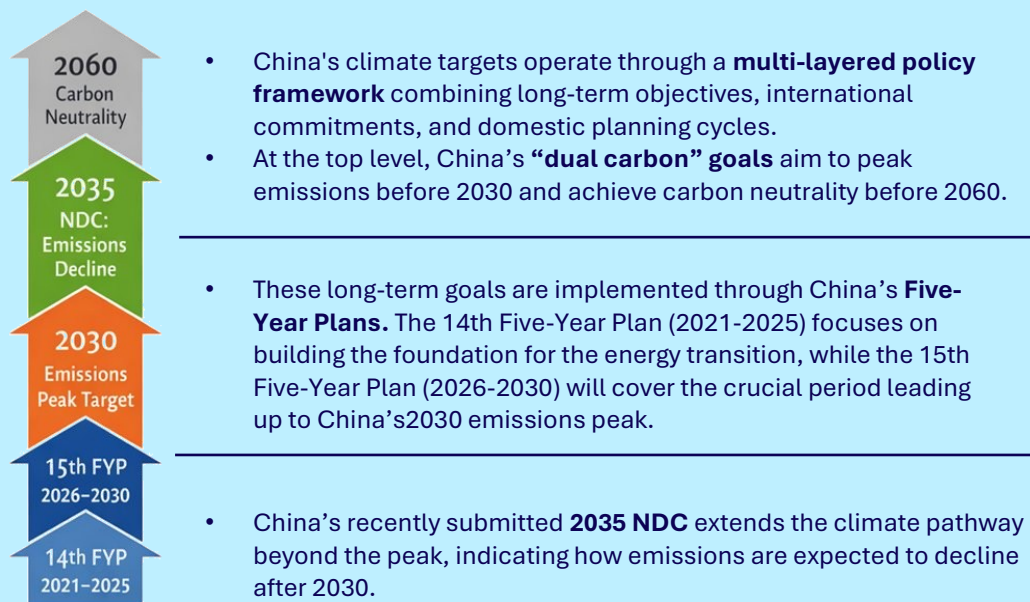
China holds a unique and critical position in the global energy transition, driven by its unparalleled scale, rapid technological innovation, and cost reductions across clean energy technologies. According to IRENA, China accounted for nearly 64% of global renewable energy capacity additions in 2024 and dominated key clean energy supply chains, including around 80% of global solar PV manufacturing and 70% of battery production.¹ It also accounted for nearly 35% of global clean energy investment in 2025.² Beyond its domestic transition, China's role in global trade and its export of clean technologies to other markets are reshaping the pace, cost, and accessibility of the energy transition worldwide.³

As investors pay closer attention to policy certainty in the transition, China's medium- and long-term policy signals are becoming more relevant for investors with exposure to the market and to related global supply chains. Figure 1 shows that China's climate transition is guided by a multi-layered policy framework that

combines long-term strategic objectives, international commitments, and domestic planning cycles. In 2020, China launched its national climate targets, known as the “dual carbon” goals, to peak CO₂ emissions before 2030 and achieve carbon neutrality before 2060. In November 2025, China submitted its 2035 NDC to the UNFCCC, outlining its updated medium- to long-term climate commitments. This was followed by the release of China's 15th Five-Year Plan (2026–2030) in March 2026, which set the strategic direction for the country's next development phase.

Together, these frameworks anchor the next stage of China's economic and climate transition: the NDC defines the headline ambition and pathway, while the 15th Five-Year Plan serves as the primary domestic vehicle to translate that ambition into concrete targets, policy instruments, and sectoral priorities. For investors, their combined signals provide an important basis for assessing transition-related developments across energy, industry, infrastructure and the broader real economy.

Figure 1: How to understand China's climate targets



¹ [Climate Action Tracker](#).

² [Bloomberg NEF](#).

³ [China Energy Transition Review 2025, Ember](#).

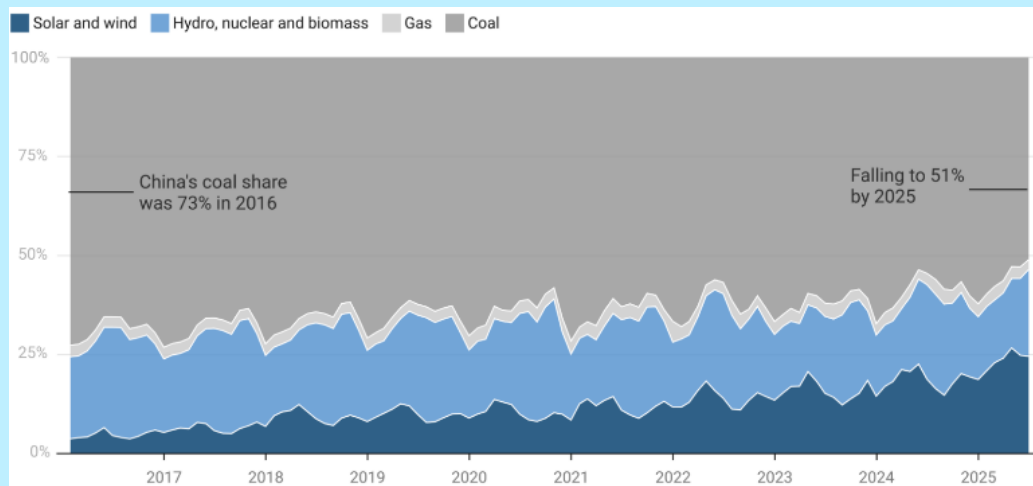


The 15th Five-Year Plan: Green transformation as a core economic priority

Under the [14th Five-Year Plan \(2021–2025\)](#), China’s energy transition shifted from expanding clean capacity to building a more integrated power system. Major renewable targets were achieved ahead of schedule, with combined wind and solar capacity reaching 1.41 TW — meeting the 2030 NDC goal six years early.⁴ However, progress on coal-consumption control fell short of 14th FYP targets. In response to energy security

pressures and extreme weather, policy shifted toward a “build before break” approach,⁵ approving new coal capacity to safeguard system reliability while gradually phasing out inefficient units. Despite these additions, coal’s share of electricity generation has continued to decline, falling from around 73% in 2016 to about 51.4% in 2025.⁶

Figure 2: Coal’s share in the power mix declines as renewables expand⁷



Building on earlier plans, the 15th FYP covers the period in which China aims to peak emissions under its dual carbon goals and serves as the primary policy framework for advancing its climate and economic transition. It places greater emphasis on **accelerating a comprehensive green transformation and advancing the “Beautiful China”⁸** strategy, while safeguarding economic stability and energy security.

Key priorities under the 15th FYP include:

- Advancing carbon peaking in a proactive and orderly manner
- Continuing to improve environmental quality
- Enhancing the diversity, stability and sustainability of ecosystems

- Accelerating the transition toward green production and lifestyles

Recent analysis suggests that China’s carbon peak could arrive sooner than previously expected, as CO₂ emissions may have plateaued or begun to decline in 2025 (see Figure 3).⁹ Official data show emissions from energy and industry fell by around 0.3% despite total energy demand growing by about 3.5%.¹⁰ This suggests a structural shift, with rapid clean energy expansion increasingly meeting new power demand while displacing fossil generation, pointing to an emerging decoupling of emissions from energy consumption.¹¹

⁴ [2035 China NDC Report](#).

⁵ [China Energy Transition Review 2025](#), Ember.

⁶ [Why China is still building new coal – and when it might stop](#), Carbon Brief.

⁷ Share of monthly electricity generation in China by source, %. Source: [Carbon Brief](#).

⁸ “Beautiful China” strategy refers to China’s national vision focused on improving environmental quality, restoring ecosystems, and

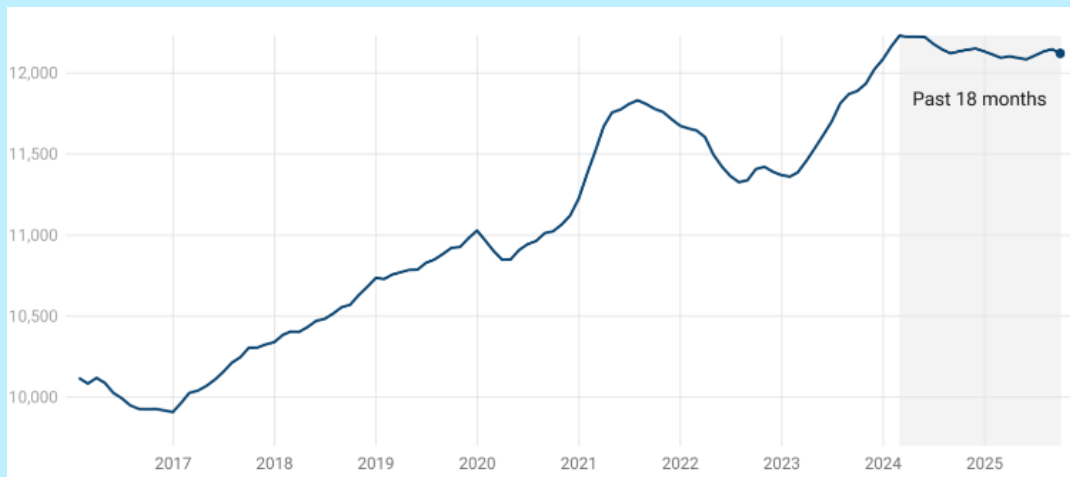
embedding sustainability into economic development. Source: [CPC recommendations for the 15th FYP](#).

⁹ [Carbon Brief estimates](#) suggest China’s carbon peak may arrive earlier than expected and [Greenpeace](#) analysis indicates that China’s power-sector emissions peak is within reach as early as 2025, driven by rapid renewable expansion.

¹⁰ [China solar boom helps energy emissions fall slightly in 2025](#).

¹¹ [CREA Outlook 2025](#).

Figure 3: China’s CO₂ emissions have plateaued or declined over the past 18 months¹²



China’s latest policy signals also reinforce a gradual but continued decarbonisation trajectory. Under the 15th FYP, China aims to reduce carbon intensity by around 17%, with a 3.8% reduction targeted for 2026 alone.¹³ This follows the 14th FYP target of an 18% reduction between 2020 and 2025.

Taken together, these signals suggest continued decarbonisation progress, but with implementation shaped by energy security, growth and system-integration constraints. While intensity-based targets allow total emissions to continue rising in the short term, the trajectory is consistent with peaking before 2030.¹⁴

The 2035 NDC: China’s first economy-wide absolute emissions target

China’s 2035 NDC provides the first clear signal of the country’s emissions trajectory beyond the 2030 peak. For the first time, China has introduced an economy-wide absolute reduction target for net greenhouse gas emissions, aiming for a 7–10% decline from peak levels by 2035. This represents a significant evolution from earlier intensity-based approaches.

Analysis by the [Climate Action Tracker](#) indicates that this target may be achievable under current policy trajectories, though implementation pace and external conditions will shape the outcome.

The introduction of an absolute emissions reduction target also suggests that emission caps may play a more prominent role in shaping economic and sectoral incentives over time.

The 2035 NDC adopts a comprehensive framework (see Figure 4) that connects greenhouse gas mitigation, energy transition, ecological protection, climate adaptation, and the expansion of the national carbon market. Connecting these issues indicates that climate objectives are increasingly integrated across multiple policy domains rather than treated as a siloed standalone environmental agenda. As absolute emission constraints are gradually introduced, policy instruments such as carbon pricing, transition finance frameworks and regulatory standards may play a more prominent role over time.

¹² Emissions from fossil fuels and cement, MtCO₂, rolling 12-month totals. Source: Carbon Brief.

¹³ Draft Outline of the 15th Five-Year Plan Proposes 20 Key Targets, Xinhua News Agency.

¹⁴ International Institute of Green Finance (IIGF).



Figure 4: China 2035 NDC “1+3+3” framework¹⁵

Target Category	Key Indicator	2035 Target Description
“1” – Core aggregate target	Economy-wide GHG net emissions	Reduce 7–10% below peak levels , striving to do better
“3” – Quantitative targets	Share of non-fossil energy consumption	Reach above 30% of total energy consumption
	Total installed wind and solar capacity	Increase to over six times the 2020 level, targeting around 3.6 TW
	Forest stock volume	Exceed 24 billion cubic metres
“3” – Qualitative targets	New energy vehicles (NEVs)	Become the mainstream in the sales of new vehicles
	National emissions trading system (ETS)	Expand to cover major high-emitting sectors
	Climate-resilient society	Basically established by 2035

Potential implications for investments in China

In China, climate policy is increasingly integrated with economic policy, making the low-carbon transition a core part of the country’s development strategy. Importantly, transition signals for investors are emerging not only from climate policy but also from industrial policy related to clean technology, advanced manufacturing and supply-chain resilience. The more moderate GDP growth targets announced in the 15th FYP reflect a broader shift from purely pursuing rapid growth to prioritising higher-quality development, with greater emphasis on productivity, technological innovation, resource efficiency and greener growth. Economic initiatives such as supply-side reform and “[anti-involution](#)” measures aim to reduce excessive price competition and phase out inefficient capacity, while encouraging more advanced and productive industries. While strong competition has helped drive down the costs of clean technologies, recent policies seek to improve market conditions and support more sustainable, long-term innovation. For investors, this means transition analysis in China should be read together with industrial and macro policy signals spanning multiple policy channels.

China’s climate and environmental governance is entering a more structured and institutionalised phase during the 15th FYP, marked by stronger carbon constraints and a more consolidated legal framework for green transition. It marks a significant step toward managing absolute emissions rather than focusing primarily on energy use by shifting from energy-consumption controls towards direct limits on carbon emissions, covering both total emissions and intensity. This policy adjustment excludes renewable electricity from China’s energy consumption control system, meaning that renewable generation no longer counts toward energy consumption caps. In practice, this places greater constraints on fossil fuel use while enabling faster growth in clean energy.

These changes are already influencing the structure of the power sector. As renewable capacity expands rapidly, the role of coal power in the electricity system is shifting structurally. Lower utilisation hours, longer payback periods and rising stranded asset risks are likely to become increasingly material for investors. Revenue models for coal plants are shifting from traditional energy generation toward capacity payments and ancillary service markets,¹⁶ with inflexible legacy units expected to retire first. As China strengthens carbon controls, coal assets may face tighter operating

¹⁵ The “1+3+3” framework comprises one absolute carbon emission cap, three quantitative targets on energy and ecological indicators, and three qualitative targets on market mechanisms and social development. *Source: 2035 China NDC report.*

¹⁶ Capacity payments refer to compensation for coal plants to maintain available capacity to ensure system reliability, regardless of actual electricity output. Ancillary-service markets provide payments for flexibility services, such as peak shaving and reserve capacity, to help balance an increasingly renewable-heavy power system.



constraints and greater carbon-cost exposure over time.

China's newly adopted [Ecological and Environmental Code](#) consolidates environmental regulation into a unified legal framework, strengthening the institutional foundation for green governance. For investors, this may improve regulatory certainty while signalling stronger environmental compliance and expanding opportunities in low-carbon and environmental sectors.

The new climate targets point to a significant scale-up in green financing demand in China. CICC¹⁷ estimates that meeting the next round of China's NDC targets will require RMB 36–38 trillion (approximately USD 5.2–5.5 trillion) in green investment over 2026–2035 (RMB 3.6–3.8 trillion, or roughly USD 520–550 billion, annually). With current annual financing supporting carbon reduction efforts at around RMB 2.5 trillion (about USD 360 billion), the gap between current financing and stated targets indicates the scale of capital mobilisation required over the coming decade.

Recent policy developments are strengthening the market infrastructure that supports transition-related investment in China. Building on strong green finance progress under previous FYPs, transition finance is gaining momentum. Recent signals include the People's Bank of China (PBOC)'s revised [Green Finance Endorsed Project Catalogue \(2025 Edition\)](#) and the expansion of the Carbon Emissions Reduction Facility (CERF) to a broader range of low-carbon transition projects. Further progress on corporate sustainability disclosure, including ISSB-aligned standards, could improve investor visibility on company-level transition preparedness over time. Recent announcements related to the 15th FYP further reinforce China's transition agenda, including a proposal to establish a national low-carbon transition fund.¹⁸ Supported by public financing, the fund is intended to guide capital toward transition investments. Additional supporting policies may follow, providing greater clarity on economic and industrial policy direction.

Climate adaptation is financially material for investors with China exposure. Adaptation policies

¹⁷ [China International Capital Corporation \(CICC\) Global Institute](#)

¹⁸ [China's 2026 Government Work Report](#), Government of China.

¹⁹ [How can China meet its climate adaptation challenges](#), Eco-Business.

and the push toward a climate-resilient society by 2035 are relevant for investors because they affect physical risk, infrastructure resilience and supply-chain continuity. The 15th FYP also places greater emphasis on resource efficiency, targeting around a 10% reduction in both energy intensity and water intensity, alongside a roughly 16% increase in overall resource productivity. These targets signal continued efforts to improve energy use, resource circularity and production efficiency across industrial sectors.

According to a World Bank report, China's annual adaptation financing needs are estimated at around [USD 250 billion](#). As financing remains largely public-sector driven, scaling blended finance and crowding in private capital become increasingly important.¹⁹ Stronger climate-risk monitoring tools — including disclosure, scenario analysis and improved climate-data systems — could help investors better assess physical risks across current and future portfolios, and strengthen how adaptation is incorporated into resilience planning. Measures to strengthen supply-chain and energy-system resilience could help reduce disruption-related risks for investors, particularly given recent power price volatility and supply disruptions associated with extreme weather.

Carbon accounting, product footprints and ETS expansion are relevant for exporters and for investors assessing trade-related transition risk. For example, the EU's Carbon Border Adjustment Mechanism (CBAM) requires emissions reporting for imported goods and may impose additional carbon costs. The 15th FYP emphasizes strengthening carbon accounting and management systems, including regional carbon assessments, sectoral controls, and product carbon footprints, while the 2035 NDC signals further ETS expansion. China's participation in the COP30 [compliance carbon market coalition](#)²⁰ also reflects growing international engagement and stronger collaboration on carbon pricing and trade-related climate risks. These developments may gradually improve the basis on which exporters can demonstrate compliance with mechanisms such as the EU's [CBAM](#)²¹, although the pace and consistency of implementation remain uncertain.

²⁰ A multilateral platform established at COP 30, aimed at improving alignment and interoperability across carbon-pricing systems.

²¹ The PRI Investor brief explains how CBAM supports EU carbon pricing, how it works, its implementation status, and global carbon markets, climate and trade policy impacts.



Investor takeaways and outlook

China's 2035 NDC and the 15th FYP carry implications not only for investors with direct China exposure, but also for those exposed to global supply chains, trade and clean technology markets. As a major source of emissions, manufacturing capacity and low-carbon technology deployment, policy developments in China may influence transition pathways beyond its domestic market. As Five-Year Plans are typically followed by more detailed sectoral and provincial plans, the next phase could provide important signals on implementation pace, sector priorities and the direction of travel for the transition.

More broadly, the evolution of China's climate objectives suggests a gradual shift from a transition driven mainly by capacity expansion toward one increasingly shaped by carbon constraints, system integration, stronger legal and institutional frameworks, and more active transition management. This provides investors with a clearer basis for forward-looking analysis of transition-related risks and opportunities, while keeping implementation pace and consistency in view. At the same time, progress toward climate goals may introduce trade-offs with other sustainability objectives. For example, increased reliance on transition materials can elevate biodiversity and water-related risks. These trade-offs should be explicitly incorporated into investors' assessment of corporate transition pathways and overall sustainability profiles.

For investors with exposure to China, developments in carbon pricing, physical climate risk and resilience are increasingly relevant to investment analysis. The planned expansion of the national ETS and the introduction of absolute emissions reduction targets may increase the relevance of carbon exposure in asset valuation over time. At the same time, stronger adaptation policies and more frequent extreme-weather impacts underline the importance of infrastructure resilience, energy-system stability and supply-chain security in investment analysis. China's transition policies may also have wider regional implications through supply chains, investment linkages and the spread of transition-related policy frameworks and market practices.