# Main Player in Industrial Carbon Emissions in China

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#### Abstract

The carbon emissions has attracts great concerns in engineering technology researches. The decomposition analysis technology has been popular in the study on influencing factors of industrial carbon emissions (ICE). The change of industries's CO<sub>2</sub> emissions from the three main industries in China over the period 1980-2011 based on the logarithmic mean divisia index (LMDI) method has been carried out. The research indicated that economic activity effect was the main influence factor for ICE increase in China over the entire period; the decline in energy intensity and the adjustment of energy and change in the CO<sub>2</sub> emission coefficient were major determinants for reduction of ICE. Meanwhile, we found that China had made a significant contribution to reducing global CO<sub>2</sub> emissions by decreasing its energy intensity. Based on the fore study, the mechanism of CO<sub>2</sub> emission changes has been analyzed and the pressure-driven environment protection model has been put forward.

Keywords: Industrial CO<sub>2</sub> emissions, Decomposition, Computing, structural effect, efficiency effect

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#### 1. Introduction

The increasing threat of global warming and climate change has been the major, worldwide, on-going concern in the last two decades. Amongst several environmental pollutants causing climate change, carbon dioxide ( $CO_2$ ) is held responsible for 58.8% of the GHG, in a report of the World Bank (2007a). Environment pollution from fossil fuel combustion is damaging human health, air and water quality, agriculture, and ultimately the economy. Many of Chinese cities are among the most polluted in the world. The increase of greenhouse gases (GHG) is mainly due to the growing emissions of  $CO_2$  which represents 80% of the total emissions of GHG. China is the world's second-largest source of  $CO_2$  emissions behind the United States, the  $CO_2$  emissions from fuel combustion has increased from 1454.65 Mtons in 1980 to 7706.83 Mtons in 2011, an annual increase of 8.02%. Many scientists and environmental groups are attempting to identify targets for  $CO_2$  reductions so as to supply the base information for making the international policies to address global climate change. It is necessary for China's energy and environmental policy makers to know fully changes and the driving forces governing  $CO_2$  emission levels and their evolution.

The purpose of this study is to decompose the factors that give rise to  $CO_2$  emissions. Chinese economy is divided into three aggregated sectors, namely agriculture, industry and services, and energy sources used by these sectors are aggregated into four groups: solid fuels, petroleum, natural gas and electricity. From related studies we can deduce that the output effect is the most important factor that affects  $CO_2$  emission reductions. This paper will continue to provide a deeper understanding of the driving forces behind the evolution of energy-related  $CO_2$  emissions between 1980 and 2011. A newly proposed factor decomposition method is used to quantify the relative contributions of selected driving forces to the variations in  $CO_2$  emissions, thereby providing the relevant authorities with more advanced and concrete reference material in regard to policies to reduce  $CO_2$  emissions.

The paper is organized as follows: Section 2 briefly reviews the literature and conducts an exploratory analysis of the data; Section 3 presents the decomposition method used in this analysis, while Section 4 presents the analysis results; Section 5 analyses the mechanism of  $CO_2$  emissions and provides the policy implications of the empirical analysis. Conclusions are reported in section 6.

#### 2. Literature Review and Exploratory Analysis

With the advantages of sound theoretical foundation, high degree of adaptability, ease of use, and ease of understanding and result presentation [1], the application of decomposition analysis has increased since the late 1970s, and has been especially widely applied for investigating mechanisms influencing energy consumption and its environmental side effects. Sun [2] analyzed changes of CO<sub>2</sub> emission intensity in the developed countries for 1980-1994 based on a complete decomposition model, and found that the emission intensities decreased by 33.26% during this period, a decrease in energy intensity accounts for about 70% of the total. Sun [3] used a complete decomposition model to analysis energy consumption and CO<sub>2</sub> emissions of the OECD from 1960 to 1995. Subhes [5] analyzed the changes in industrial energy intensities and CO<sub>2</sub> intensities from use of energy in Thailand during 1981-2000, and then identified the factors affecting the two intensities using the LMDI technique. Lee and Oh [6] decomposed the changes of CO<sub>2</sub> emissions in APEC countries based on the LMDI approach, and found that the growth in per capita GDP and population are the two dominant contributors to the increase in CO<sub>2</sub> emissions. Wietze [7] analyzed the changes of CO<sub>2</sub> emissions by undertaking a complete decomposition analysis for Turkey over the period 1980-2003, and concluded that the biggest contributor to the rise in CO2 emissions is the expansion of the economy. Diakoulaki and Mandaraka [8] explained the changes in industrial CO2 emissions in 14EU countries for the period 1990-2003 based on the refined Laspeyres model. Using the LMDI approach, Subhes [9] analysed the reduction in greenhouse gas emissions in 15 countries of the European Union between 1990 and 2007 to find out the contribution of different countries.

Recently some effort has been paid to the factors for energy-saving and environment quality in China. Wang et al. [10] analyzed the change of aggregated CO2 emissions in China based on the LMDI method and concluded that the total theoretical decrease of CO2 emissions was 2466 Mt during 1957-2000. Wu et al. [11] investigated the evolution of energy-related CO<sub>2</sub> emissions from 1985-1999 in China and underlying driving forces based on time-series decomposition of the LMDI approach. Wu et al. [12] used the LMDI method to study CO<sub>2</sub> emissions from 1980 to 2002, and concluded that economic scale, fuel mix and energy intensity on the energy-demand side mainly drove the changes in China's CO2 emissions, and the structure and efficiency changes on the energy-supply side played only a minor role before 1996. More, over the period 1996-2000, the acceleration of efficiency improvement in end-use and transformation sectors accounts for the decline in China's CO2 emissions that were related to the total primary energy supply. Liu et al. [13] analyzed the change of industrial carbon emissions from 36 industrial sectors based on the LMDI approach, and concluded that the industrial activity and energy intensity were the overwhelming contributors to the change of China's industrial sectors' carbon emissions in the period 1998-2005. Fan et al. [14] employed the input-output approach to compute energy requirement and CO<sub>2</sub> emissions under each scenario in China, and showed that China's energy needs and related CO2 emissions will grow exponentially even with many energy efficiency improvements. Guan et al. [15] assessed the driving forces of China's CO2 emissions from 1980 to 2030 by combining structural decomposition and input-output analysis, and concluded that production-related CO<sub>2</sub> emissions will increase three times by 2030. Household consumption, capital investment and growth in exports will largely drive the increase in CO<sub>2</sub> emissions, relying on efficiency improvements alone will not stabilize China's future emissions. Zhang et al. [16] used the complete decomposition method to analyze the nature of the factors that influence the changes in energyrelated CO<sub>2</sub> emissions and CO<sub>2</sub> emission intensity during the period 1991-2006, and find that energy intensity effect is confirmed as the dominant contributor to the decline in CO<sub>2</sub> emissions and CO<sub>2</sub> emission intensity. Zhang et al. [17] used the complete decomposition technique to identify the factors influencing the sectoral changes in CO2 emissions in China for the period 1991-2006, and concluded that economic activity has the largest positive effect in CO<sub>2</sub> emission changes in all major economic sectors and China has achieved a considerable decrease in CO2 emissions mainly due to the improved energy intensity.

However, with respect to the total  $CO_2$  emissions in China, those studies do not take the importance of sectoral dimension into account. This paper attempts to identify the factors influencing the change of industrial  $CO_2$  emissions from the three main industries based on the LMDI method, determines the contribution of the factors which influence energy-related  $CO_2$ , and then analysis the mechanism of  $CO_2$  emissions in China. To better investigate changing

trends of the factor' relative contribution with time, the time period of statistical data from 1980 to 2011 used in this paper is divided into three equal time intervals (sub-periods), namely 1980-1992, 1992-2000, and 2000-2011. The variations are attributed to the factors of overall activity (activity effect), activity mix (structure effect), sectoral energy intensity (intensity effect), sectoral energy mix (energy-mix effect) and  $CO_2$  emission factor (emission-factor effect).

#### 3. The Methodology and Models

#### 3.1. Estimation of CO<sub>2</sub> Emissions

The following method is given by IPCC [18]; total  $CO_2$  emissions in the *i*th sector is estimated based energy consumption, carbon emission factors and the fraction of oxidized carbon by fuel as follows.

$$C_i^t = \sum_{j} C_{ij}^t = \sum_{j} E_{ij}^t \times EF_j \times (1 - CS_j^t) \times O_j \times M$$
(1)

where  $C_i^t$  is the total  $CO_2$  emissions of the ith sector in year t,  $C_{ij}^t$  is the total  $CO_2$  emissions of the ith sector based on fuel type j in year t,  $E_{ij}^t$  is the total energy consumption of the ith sector based on fuel type j in year t,  $EF_j$  is the carbon emissions factor of the jth fuel (tC/TJ),  $CS_j^t$  is the fraction of the jth fuel is not oxidized as raw materials in year t,  $O_j$  is the fraction of carbon oxidized based on fuel type j, M is the molecular weight ratio of carbon dioxide to carbon (44/12). In this study, the emission factors  $EF_j$  are assumed to be 25.8, 21.1 and 15.3 tC/TJ of energy used for coal, oil and natural gas, respectively, and the fractions of carbon oxidized  $O_j$  are taken as 0.90, 0.98 and 0.99 for coal, oil and natural gas, respectively, based on the IPCC.

#### 3.2. Decomposition of CO<sub>2</sub> Emissions

Ang et al. [19], Ang and Liu [20], and Ang [1] argued that the logarithmic mean Divisia index (LMDI) method should be preferred to other decomposition methods with the advantages of path independency, ability to handle zero values and consistency in aggregation. Therefore, we have adopted this method to analysis CO<sub>2</sub> emissions.

Changes in CO<sub>2</sub> emissions of the economy can be decomposed into changes in overall economic activity (activity effect), activity mix (structure effect), sectoral energy intensity (intensity effect), sectoral energy mix (energy-mix effect) and CO<sub>2</sub> emission factor (emission-factor effect). Ang (2005) decomposes CO<sub>2</sub> emissions as follows:

$$C = \sum_{ij} C_{ij} = \sum_{ij} G \frac{G_i}{G} \frac{E_i}{G_i} \frac{E_{ij}}{E_i} \frac{C_{ij}}{E_{ij}} = \sum_{ij} G \times S_i \times I_i \times F_{ij} \times U_{ij}$$
 (2)

where C is the total  $CO_2$  emissions and  $C_{ij}$  is the  $CO_2$  emissions arising from energy source j in sector i; G is the total economic activity level;  $S_i = G_i/G$  is the economic structure share of the ith sector,  $I_i = E_i/Q_i$  is the energy intensity of sector i;  $E_i = \sum_j E_{ij}$ , where  $E_{ij}$  is

the consumption of energy source j in sector i,  $F_{ij} = E_{ij} / E_i$  is the energy-mix variable; and  $U_{ii} = C_{ii} / E_{ij}$  is carbon emissions coefficient in sector i of energy source j.

Let  $C_o$  and  $C_t$  be total  $CO_2$  emissions in year 0 and year t. The change in  $CO_2$  emissions between the two years, then  $\triangle C = C_t \_ C_{t-1}$ ,  $\triangle C$  can be decomposed to five effects as follows: the change in the GDP denoted by  $\triangle C_{act}$ , the change in the economic structure effect denoted by  $\triangle C_{str}$ , the change in the sectoral energy intensity effect denoted by  $\triangle C_{int}$ , the change in the sectoral energy-mix effect denoted by  $\triangle C_{mix}$ , and the change in the  $CO_2$  emission coefficient

effect denoted by  $\triangle C_{emf}$ , which reflects the contribution of change in the CO<sub>2</sub> emission coefficient to change in CO<sub>2</sub> emissions, respectively.

$$\Delta C = \Delta C_{act} + \Delta C_{str} + \Delta C_{int} + \Delta C_{mix} + \Delta C_{emf}$$
(3)

$$\Delta C_{act} = \sum_{i} L(C_i^t, C_i^{t-1}) Ln(G^t / G^{t-1})$$
(4)

$$\Delta C_{str} = \sum_{i} L(C_{i}^{t}, C_{i}^{t-1}) Ln(S_{i}^{t} / S_{i}^{t-1})$$
(5)

$$\Delta C_{\text{int}} = \sum_{i} L(C_{i}^{t}, C_{i}^{t-1}) Ln(I_{i}^{t} / I_{i}^{t-1})$$
(6)

$$\Delta C_{mix} = \sum_{i} L(C_{i}^{t}, C_{i}^{t-1}) Ln(F_{ij}^{t} / F_{ij}^{t-1})$$
(7)

$$\Delta C_{emf} = \sum_{t} L(C_i^t, C_i^{t-1}) Ln(U_{ij}^t / U_{ij}^{t-1})$$
(8)

where 
$$L(C_i^t, C_i^{t-1}) = (C_i^t - C_i^{t-1}) / Ln(C_i^t / C_i^{t-1})$$

Because  $\triangle C_{act}$  is the main effects resulting in CO<sub>2</sub> emissions and can be regarded as the theoretical change of CO<sub>2</sub> emissions caused by economic activities [4]. Now, we give a definition on the theoretical decrease as  $\triangle C^*$  as follow.

$$\Delta C^* = \Delta C_{act} - \Delta C = -(\Delta C_{str} + \Delta C_{int} + \Delta C_{mix} + \Delta C_{emf})$$
(9)

where  $\triangle$  is the difference in the time interval [0,t]. The rate of theoretical decrease of  $CO_2$  emissions  $(R_t)$  in the tth year is

$$R_{t} = \frac{\Delta C^{*}}{C_{0} + \Delta C_{act}} \times 100\% \tag{10}$$

## 4. Analysis of The Results

#### 4.1. The Data

The data used in the study which spans from 1980 to 2011 were collected from various years of China's Statistical Yearbook published by China's National Bureau of Statistics (NBS). The GDP data and energy data are in  $10^8$  Yuan in constant 1978 price and in ten thousand tons of coal equivalent ( $10^4$  tce) in calorific value calculation, respectively.  $CO_2$  emissions for each fuel type come from the US Energy Information Administration [30], and  $CO_2$  emissions for the three industries are calculated by using the amount of each fuel consumed in each sector.

The whole economy of China is divided into three industries: the primary, secondary, and tertiary industries. The primary industry includes one sector——"Farming, Forestry, Animal Husbandry, Fishery and Water Conservancy" (FFAFW). The secondary industry is classified into two sectors: "Industry" and "Construction". The "industry" sector is equivalent to "Mining", "Manufacturing", and "Electric Power, Gas and Water" (EGW). Tertiary industry includes three sectors-"Transportation, Storage, Post and Telecommunication Services" (TSPTS), "Wholesale, Retail Trade and Catering Services" (WRTCS), and "Residential Consumption and Others" (Households).

This study considers mainly four types of energy, including primary energy, secondary energy, electricity, and heat. The primary energy is composed of coal, oil, natural gas, hydro,

and nuclear energy. Secondary energy includes coke, coke oven gas, gasoline, kerosene, diesel oil, fuel oil, liquefied petroleum gas (LPG), refinery gas, and other petroleum products.

Due to data limitations, total consumption include final energy consumption and losses in electricity generation, electricity is converted to coal equivalent based on the quantity of coal needed to produce the electricity at the average coal input per kilowatt hour fro thermal power generation in the relevant year, instead of the calorific value of the electricity itself.

#### 4.2. Results and Discussion

According to the economic development of China, The calculated results are tentatively presented over three periods, from 1980 to 1992, from 1993 to 2000 and from 2001 to 2011.

In this section, we apply the proposed models to explore the contributions of the various effects to the changes in China's energy consumption. Table 1 and Figure 2 show the decomposition results. It indicates that during 1980-2011, China experienced spectacular economic growth, the increase of  $CO_2$  emissions caused by economic activities was 9908.19 Mtons, accounts for +194.52% of  $CO_2$  emission changes over the entire period of 1980-2011.

The central government's development policy and investment priorities were biased towards rapid industrialization before 2000, which increased not only the energy consumption of the whole economy, but also  $CO_2$  emissions, during the sub-period of 1980-1992 and 1992-2000, the structural shifts increased  $CO_2$  emissions 118.33 and 116.48 Mtons, accounts for 15.36% and 14.35% of  $CO_2$  emission changes, respectively.

The energy intensity effect plays an important role in mitigation of  $CO_2$  emissions. Our results also show that technological change plays the dominant role in decreasing  $CO_2$  emissions, which is consistent with the conclusions of previous empirical studies. The improvement of energy efficiency decreased  $CO_2$  emissions by 4351.85 Mtons, accounts for 85.43% of  $CO_2$  emission decrease over the entire of 1980-2011. Due to improvements in energy efficiency, the accumulative theoretical decrease of  $CO_2$  emissions during the subperiod of 1980-1992, 1992-2000 and 2000-2011 amounted to 1043.85 Mtons, 1063.17 Mtons and 1195.02 Mtons, respectively, and the theoretical decrease rate was 26.36%, 23.09% and 10.36%, respectively. From Fig.1, it shows that energy intensity of the industry is the highest intensity sector and its energy intensity is improved throughout the study period. At the same time, energy intensity of primary is decreased gradually during the period. This can be attributed to the encourage of efficient energy policies towards sustainability.

As a result of energy mix adjustment in industry and mostly contributed by clean electricity, the consumption share of electricity increased while in the same timeframe the electricity was mainly generated from coal-burning thermal power, which has a higher carbon emission coefficient value than any other type of fossil fuel. So the decrease of carbon emissions resulting from energy mix and the  $CO_2$  emission coefficient is 397.49 Mtons and 268.55 Mtons during 1980-2011, respectively.

Table 1. Decomposition of the changes in CO₂ emissions in China:1980-2011 (million tons)

Index	Decomposition of changes in CO <sub>2</sub> emissions					Real	Theoretical	Rate of theoretical
	$\triangle C_{emf}$	$\triangle C_{int}$	$\triangle \textit{\textbf{C}}_{\textit{str}}$	$\triangle C_{mix}$	$ riangle C_{act}$	change	decrease△C*	decrease (%)
1980-	-136.05	-914.94	118.33	-111.19	1814.08	770.22.	-1043.85	26.36
1992	-17.66	-118.79	15.369	-14.439	235.53	100	-135.53%	
1992- 2000	65.09	-1149.82	116.48	-94.91	1874.74	811.57	-1063.17	23.09
	8.02	-141.68	14.35	-11.69	231.01	100	-131.0%	
2000-	165.96	-1054.56	-155.43	-150.99	4605.37	3410.34	-1195.02	10.36
2011	4.86	-30.92	-4.56	-4.43	135.04	100	-35.04%	
1980-	-268.55	-4351.85	203.45	-397.49	9908.19	5093.74	-4814.45	29.77
2011	-5.27	-85.43	3.99	-7.80	194.52	100	-94.51%	

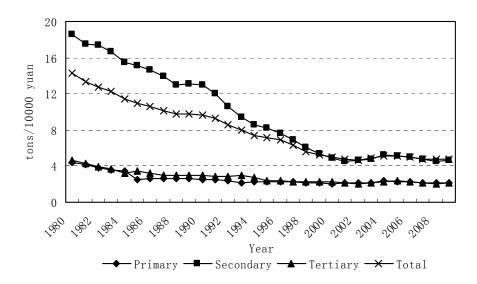


Figure 1. Industrial energy intensities and total energy intensity in China (1980-2011)

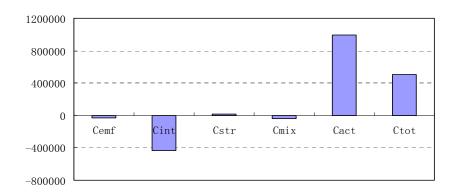


Figure 2. The influencing factors for ICE changes between 1980 and 2011 in China

As shown in Figure 3, because the industrial structural shift or the energy efficiency improvement in sub-sectors or both accelerated after the mid-1990, the real  $CO_2$  emissions in China increased slowly from 1997 to 2000.

### 5. Policy Implications

From the paper, we find that economic activity effect is the most important contributor to increased  $CO_2$  emissions in all the sub-periods as well as in the entire period; the energy intensity effect is confirmed as the dominant contributor to the decline in  $CO_2$  emissions. Nowadays, China's economy is in a stage of energy transition: from low efficiency solid fuels to oil, gas and electric power, from agriculture to urbanization and industrialization, from heavy industry to lighter and high technology industry, from low motorization to rapid growth of the motor vehicle population. Considering the energy depletion and environment damage brought about by the over-heated economy, it is best to keep a modest economic development in order to save energy and protect environment.

We will deeply analysis the mechanism of environment according to the situation of China. Environment quality's scale indexes are the decrease amount of  $CO_2$ ,  $SO_2$ , solid offal and etc. In the mid industrialization in China, many corporations are indifferent to the idea of environment protection. The driver of environment protection comes from stress of the central and district governments, including compulsory policy and incentive policy. The compulsory

policy provides impetus by administration and law means to regulate the contamination standard. The incentive policy encourages environment protection by economic means such as collecting environment tax and contamination emission fee. In addition, publicizing environment-protecting knowledge promotes social willingness for environment protection as well.

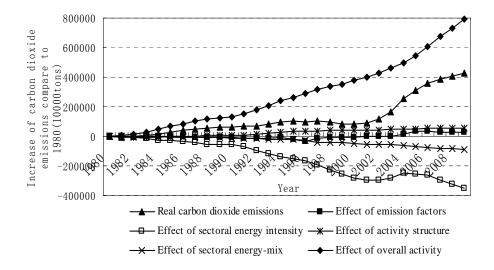


Figure 3. Decomposition of CO<sub>2</sub> emission changes in China, 1980-2011

The central government establishes environment protection policy based on the environment improvement. Meanwhile, the industry and energy structure reaches optimization by its internal industry domino effect, region domino effect and energy domino effect, and finally improves environment quality and forms a benign closed loop system (see Figure 4).

Since the emissions mainly result from consumption of fossil fuels, reducing energy consumption seems to be the direct way of handling the problem. However, due to its negative impacts on economic development, reducing energy consumption may not be viable for China. In the future, the Chinese government should actively absorb successful international experiences and draw out feasible and operable policies and measures to encourage energy conservation and environment protection.

Firstly, the mode of economic development can affect environment quality. The second sector appears to have the highest share of responsibility on the continuous rise of  $CO_2$  emissions, the  $CO_2$  emissions mainly come from the industrial sector and coal consumption, in the period of 1980-2011, the industrial  $CO_2$  emission accounts for about 66.31-85.93% of total  $CO_2$  emissions. If China's economic growth keeps relying on these resource and energy dependent industries, the future of China's economic growth is doomed. Hence China should jump through the mesh of heavy industrialization to a more efficiency-oriented and less resource-depleted development mode, so that more energy can be saved and a better environment can be reserved for the next generation.

Secondly, energy conservation is so far the most important mean to reduce  $CO_2$  emissions, the composition of energy consumption in China is unbalanced in comparison with other countries. China's heavy reliance on coal will make it the largest emitter of  $CO_2$  in the world. Furthermore, China's energy mix has not changed significantly. In the early 1980s, coal accounts for 71% of total energy consumption. It dropped to its lowest point of 66% in 2002, but by 2011, it had climbed back to 70% [30]. This situation has imposed a high cost on the economy in terms of environmental damage associated with excessive use of coal. The environmental impact associated with energy use attracted wide concern as a result of the new evidence leading to a heating debate regarding global climate changes [25].

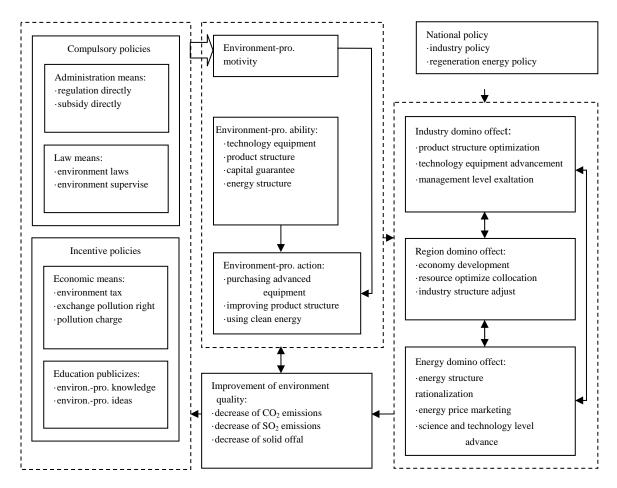


Figure 4. The mechanism of pressure-driven environment protection model in China

Because other options like fuel switching and renewable resources have much less potential in the short and medium term. China is a country short of clean energy (such as oil, natural gas and hydro power and others), and nearly half of domestic oil consumption depends on import currently. Therefore, one effective long-term policy is to diversify energy supply with preference on renewable energy (hydro, biomass, wind, geothermal, solar, and tidal). In 2005, China firstly enacted the Renewable Energy Act to provide the legal base for the development of renewable energy and formulate its principle of R&D, industrialization, popularization & application and economic incentive for renewable energy exploitation and utilization. In 2007, the Medium and Long Term Development Plan for Renewable Energy stipulated a concrete goal that the ratio of renewable energy in total energy consumption should be no less than 10% in 2010 and 15% in 2020, while the renewable should account for no less than 30% of total power generation capacity in 2020. Additionally, there is potential for changes through additional production of nuclear energy and alternate energy sources in China and/or through policies to improve energy efficiency in the Chinese economy.

Thirdly, the central government should place tight limitations on the export of high energy-intensive products and the investment in the energy-intensive products. As a major exporter of energy-intensive products, China consumed much energy while emitted much GHG, such as  $CO_2$ . Increases in the ratio of exports to domestic demand of secondary energy exert an increasing impact on  $CO_2$  emissions related to primary energy input for exports [12]. However, given China's high use of coal in electricity production and inefficient production systems relative to those nations exporting goods to China, this assumption largely overestimates the actual embodied  $CO_2$  in China's imports. Peters and Hertwich (2008) found that the actual emissions embodied in Chinese imports were almost four times lower than the emissions embodied in Chinese exports.

Fourthly, Technological innovations and improvements are one of the most effective ways of reducing  $CO_2$  emissions. As the leading emitter of  $CO_2$ , China will come under increasing pressure to assume more responsibility for its emissions. Some Chinese businesses are already willing to take actions. Increases in energy efficiency will also lead to changes in other emissions. Government-supported R&D, technical assistance, training, and information exchange continued to play an important role in China's energy efficiency improvement in 1990s. Wu et al. [12] pointed out, as one of the most important economic impetuses driving energy efficiency improvements, investment in technical upgrades and transformation in the electricity sector increased sharply in 1990 and accelerated further since 1996. Introducing the  $CO_2$  tax is an effective way to decrease emissions. Whenever feasible, energy conservation and reduction of output share of energy-intensive sectors are important strategies for reducing energy intensity.

Lastly, it is urgent to set up and complete an effective environment-protection management system, increase investment of environment-protection, and enact the environment-protection laws. In addition, promoting regulation measures and enhancing supervision of pollution emission can also guarantee the realization of environment-protection goals. At the same time, it is important to emphasize the critical role played by local governments in environment-protection. The central government has forbidden some low efficiency production, including shutting down inefficient generators in the electricity sector and terminating inefficient mining operations. In the future, the Chinese government must implement more economic incentive policies to enhance energy efficiency.

China plans to rehabilitate old plants with large and relatively efficient units. These initiatives could be expected to play a role in continued reductions in China's carbon intensity, thus reducing fuel consumption and improving the environment. With the growth of average labor productivity, which has a dominant positive effect on CO<sub>2</sub> emissions, is expected to recover in the near future due to reforms in the industrial sector [29].

#### 6. Conclusions

In this paper, we analyzed the nature of the factors that influence the changes of energy-related  $CO_2$  emissions in China between 1980-2011 based on the LMDI, and tried to shed light on the role of the driving factors in this period. The factors including  $CO_2$  economic activity effect, structure effect, energy intensity effect, energy-mix effect, and emission-factor effect. The period is divided into three intervals according to the economic development of China. Consistent with previous studies, the decomposition analysis revealed that, of all the individual factors, economic growth accounts for the largest increase in  $CO_2$  emissions in the all sub-periods, and declines in energy intensity and energy mix adjustment were causes to the slowdown of carbon emissions in China from 1980 to 2011. The accumulative theoretical decrease of  $CO_2$  emissions between 1980 to 2011 amounted to 4814.45 Mtons and the theoretical decrease rate was 94.51%, the result was mainly attributed by improving energy efficiency.

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