



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

MARCH 2024

The Green Dragon: Sustainability in the China market

MARKET INTELLIGENCE REPORT

Summary

This report was prepared by the New Zealand Consulate-General in Shanghai.

- Chinese consumers typically make purchasing decisions based on what is good for them and not what is good for the environment. But sustainability credentials or messaging can help brands command a higher premium, especially when linked to better health outcomes. New Zealand has a natural advantage but others are burnishing their green credentials and telling their green stories effectively.
- China's growing emphasis on healthy lifestyles can manifest in positive outcomes for New Zealand: fitness and outdoor activities (opportunity to promote New Zealand's ecotourism), and demand for durable products (longer product lifecycles reduce waste).
- China's top-down approach to environmental challenges can change companies' behaviour quickly. China's national policies are driving rapid expansion of renewable energy and electric vehicles, a clampdown on waste and excess packaging, and improved resource management.

- Businesses operating in China are also responding to international sustainability benchmarks, particularly European Union regulations, to retain their ability to export globally, and to stay ahead of the curve in the event that Chinese authorities decide to adopt similar standards.
- China's government-driven compliance approach to meeting environmental challenges does not necessarily result in intrinsic changes to Chinese consumers' attitudes to the environment. There are, however, signs that younger Chinese consumers are caring more about sustainability, in that they are concerned about their own health and welfare, with an embedded expectation within this that higher environmental standards are being met.

Report

Chinese consumer attitudes towards sustainability

Perceived personal health benefits tend to be bigger drivers of consumer behaviour than environmental concerns. In surveys, health benefit is often the top consideration followed by the quality and safety of a product. This requires companies to position how they incorporate sustainability into their marketing: less of “it is made naturally so it does not harm the planet” and more of “it is made naturally so it is good for you”. The fact that a product is eco-friendly is not sufficient as a selling point: Chinese consumers need to see a link between environmental credentials and a health benefit (reflecting the science and innovation behind it). Brands that are able to draw this link have been successful in commanding a higher price for their products. For example, some dairy brands promote the quality and benefits of grass-fed cows in China because customers perceive that to be a near-organic product and therefore healthier and more premium. Other sectors have successfully leveraged other environment-related attributes such as being carbon zero, having all natural ingredients, biodegradability, and being chemical free.

Government and industry certified labelling can further strengthen consumer trust in a brand’s sustainability messaging in the Chinese market. For instance, certified organic food and beverage is becoming popular in China for its perceived health benefits. The official bilateral Mutual Recognition Arrangement for Certified Organic Products (2016) gives New Zealand organic exporters an edge, because New Zealand organic certification labelling is officially recognised in China.

New Zealand is not alone in promoting sustainability. Other economies with similar agricultural export profiles, and some domestic Chinese agricultural producers, also showcase sustainability when promoting the provenance of their products. Sustainability has therefore become a baseline expectation rather than a point of difference.

Wealthier Chinese consumers are pursuing healthier and higher quality lifestyles, meaning that people are more often in contact with nature and this is having environmentally positive spinoffs. The link between health and sports and outdoor activities has been successfully leveraged by outdoor clothing and fitness companies, and creates opportunity for New Zealand to market active- and eco-tourism to Chinese travellers.

While there are differences between the expectations of Chinese and New Zealand consumers, it can end up in the same (more sustainable) outcome. Chinese consumers are demanding more durable products with more features because they expect more

from higher priced goods. New Zealand consumers increasingly want products that can be repaired and are good for the environment. Both drivers result in manufacturers designing longer-lasting products that minimise waste over the longer term.

Changes may also be filtering into different price categories. While average consumers may not be demanding energy efficiency in electronic devices in China, higher-end property developers are showing more interest in energy-efficient home appliances when building apartments. This is an increasing feature of building higher quality living spaces to meet the Chinese government's green building standards.

The Chinese government: Moving the market from the top-down

China's centralised top-down policymaking means it has the tools to accelerate decarbonisation. The Chinese government has shown its capacity to quickly introduce measures (strict regulations, industrial policies, subsidies, etc) to spur the adoption of environmental technologies. Examples include:

- China's heavy investment in its wind and solar energy capacity (expected to reach 1.2 terawatts by 2025, five years ahead of the Chinese government's target). **In late 2023, media reported that China was the only G20 nation on track to triple its renewable energy capacity from 2023 to 2030;** and
- China's **rapid adoption of electric vehicles**, having surpassed its industry target of adding 8.5 million more electric vehicles to its roads in 2023. In Shanghai alone, the city registered 327,000 new electric and hybrid vehicles (NEVs) in 2022, as NEV rebates saw consumers steer away from fossil fuel cars.

Top down regulation is also driving China's response to excessive packaging, relevant to the New Zealand-China supply chain. Chinese consumers typically demand products that are presentable (for gifting) and protected. This often leads to multiple layers of packaging, with yet more packaging added by logistics companies liable for the last mile delivery. In response, Chinese authorities have implemented a national standard on the 'Requirements of Restricting Excessive Package' for food and cosmetic products in September 2023 (see [here](#)), regulating the ratio between empty and filled space, and limiting the number of layers of packaging. After a two-year grace period, non-compliant products will not be allowed to be sold. A similar measure for edible agricultural products will come into effect from 1 April 2024 (see [here](#)).

Chinese authorities have also **regulated locally to reduce waste**. Shanghai introduced waste management rules in 2019, which required waste to be sorted into four categories, quickly and fundamentally changing the way that the city managed the nine million tons of rubbish produced annually. This has spurred businesses to accelerate the transition to sustainable packaging (i.e. recyclable and biodegradable). Major e-commerce platforms used by New Zealand brands are also taking waste reduction steps (for example

transitioning to recyclable cardboard, reducing plastic tape on packages, and employing AI to optimise box sizes).

Chinese authorities are pushing for more sustainable economic development at the provincial and city level. For example, an October 2023 [statement](#) by President Xi Jinping stressed ecological protection as essential to the “high quality development” of the Yangtze River Delta region surrounding Shanghai. Taking the lead from central government, Chinese provinces and cities have been improving the way that they manage natural resources, develop green spaces, clean up waterways, and respond to natural hazards, potentially creating opportunities for New Zealand environmental services providers and local-government level knowledge sharing.

The business response: Looking to the European Union as the gold standard

Companies in China are benchmarking themselves against international standards, in particular European Union (EU) regulations. Many Chinese manufacturers, including those that supply New Zealand, are already working to EU standards on ethical and sustainable sourcing out of necessity to continue exporting products to Western markets. EU environmental rulemaking is often taken as the benchmark by Chinese manufacturers (if you pass those standards, you can pass others too), and so New Zealand companies need to pay attention to EU developments. Chinese consumers too are attentive to international standards, often willing to pay a premium for products that meet these trusted and robust standards. In health products, for instance, Canadian standards for fish oil are seen as the purest, so other international products want to meet the same standards.

Chinese food and beverage importers are not yet prepared to pay any premium for lower emission imported ingredients, unlike Western global multinationals that are increasingly focused on the emissions profile of their supply chain. However, commentators are confident that New Zealand is well-positioned should China’s food and beverage industry decide to move in this direction. Chinese importers recognise New Zealand’s track record in naturalness and biodiversity management as a point of difference for them in their premium New Zealand-sourced product lines.

Appealing to the next generation of Chinese consumer

China’s top-down approach to environmental challenges relies on compliance but does not inherently “premiumise” environmental performance. Chinese authorities are able to rapidly enforce behavioural changes from companies that produce what

authorities see as better public good outcomes, with a greener, healthier and more competitive China being key to this. The government wants China to meet its international climate change peaking and reduction goals. But changing mindsets towards cultivating a sense of individual responsibility towards the environment is not expected without longer term consumer education by companies with interests in using their environmental credentials to meet other immediate consumer demands around status, purity or health.

At the same time, in a market this size, there is also evidence that a new generation of Chinese consumers is thinking differently. The younger Chinese consumers that many New Zealand brands target tend to be more discerning in what they buy and more forensic on a product's provenance, labelling and packaging. China's large and popular domestic social media channels present opportunities for brand reputation, and sustainability credentials can be important for consumer brand products seeking to capture these younger, app-based Chinese audiences.

Conclusion

In terms of linking sustainability to value, there are opportunities for New Zealand businesses to consider leveraging New Zealand's environmental credentials to move products and services up in value and closer to the consumer. Showing a clear link between sustainability, science and innovation, and better health outcomes it is important in order for marketing to resonate loudly with the broader group of Chinese consumers.

More info

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To get email alerts when new reports are published, go to our [subscription page](#).

To learn more about exporting to this market, New Zealand Trade & Enterprise's comprehensive [market guides](#) cover export regulations, business culture, market-entry strategies and more.

To contact the Export Helpdesk

email exports@mfat.net

call 0800 824 605

visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.