

Green Financing Challenges and Opportunities in PRC

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1. The Need: Green Finance

To “Green Finance” Economic Development

Finance ONLY those investments that provide BOTH

- **Environmental Sustainability**of Natural Capital
- **Financial Sustainability**of Financial Capital

Green Benefits:

“Liveability + Climate Change”

- Reduction in Air – Water – Land Pollution
- Reduction in Greenhouse Gas Emissions
- Improved Energy Efficiency
- Mitigation of & adaptation to climate change

The financial system should play an important role in promoting the green transformation of our economies. The launch of the Sustainable Development Goals and the agreement reached at the Paris Climate Summit, both in 2015, established ambitious targets for transitioning the global economy along a low-carbon, inclusive and sustainable pathway.



United Nations
Framework Convention on
Climate Change

2. Green Finance in PRC

Green Finance Channeling in PRC

**Strategic Initiatives and Leadership under G20 Framework
(NDRC, MEP, PBOC, and Regulators for 'Greening China's Financial System')**

**Policy Initiatives and
Regulatory Framework**

Financial Institutions and Instruments

**International and
Regional
Initiatives**

**Green
Credit
Guideline
(2010,
MEP,
PBOC,
CBRC)**

**Green
Insurance
Guideline
(2007,
MEP,
CIRC)**

**Green
Bond
Guideline
(2015,
NDRC)**

**Green
Bank**

**Green
Credits**

**Green
Insurance**

**Green
Bonds**

ETS

**Regional
ETS**

**OBOR
on Green
Principles**

3. Green Finance Challenges

Governments committing to 'Greening the Economy'



- ✓ Increase non-fossil fuel portion of energy mix from 11.2% to 20% (2030)
- ✓ Reduce carbon intensity (per unit of GDP) to 60-65% below 2005 levels (2030)
- ✓ Peak CO² emissions around 2030, and before if possible

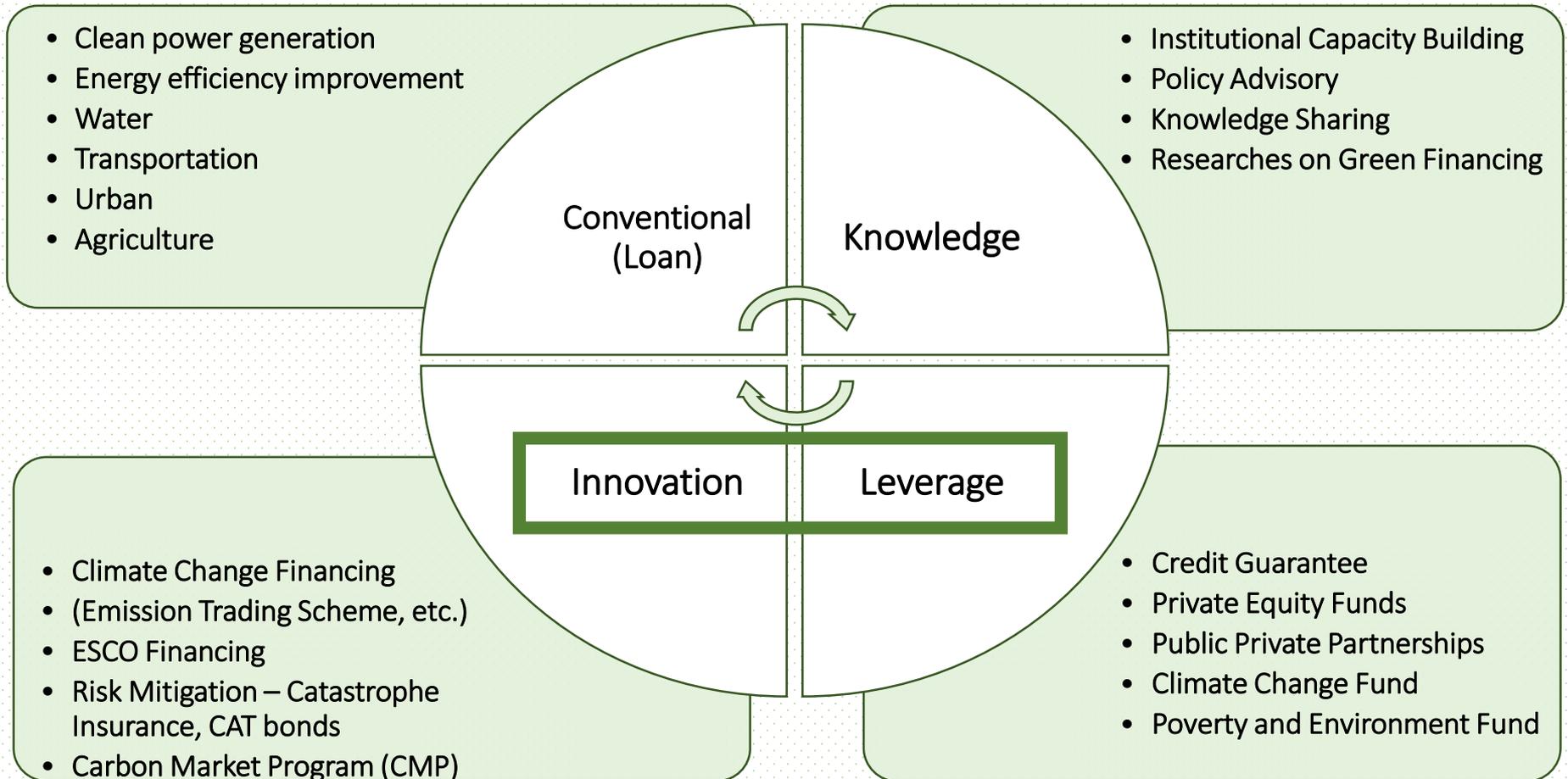
But...the Challenge is the Huge Financing Needs from Non-Public Sources: US\$ 6.7 trillion needed --\$320 bn p.a.

3. Green Finance Challenges

Issues in Mainstreaming of Green Finance

- Lack of Incentives to Attract Private Capital
- Limited Financing Instruments to Meet the Needs -> Diversifying Financing Channels via PE, PPP, Direct Financing through VC, Capital Markets, etc.
- Lack of Leverage -> Public and MDB Funds for Leverage
- Externalities Beyond Borders-> Regional and Global Approach
- Sustainability -> Dependence on Subsidy to Market Based Financing
- Lack of knowledge on Emerging New Technology and Risks inherent -> Improving Risk Assessment and Pricing Model for New Technology
- Monitoring and Enforcement Systems

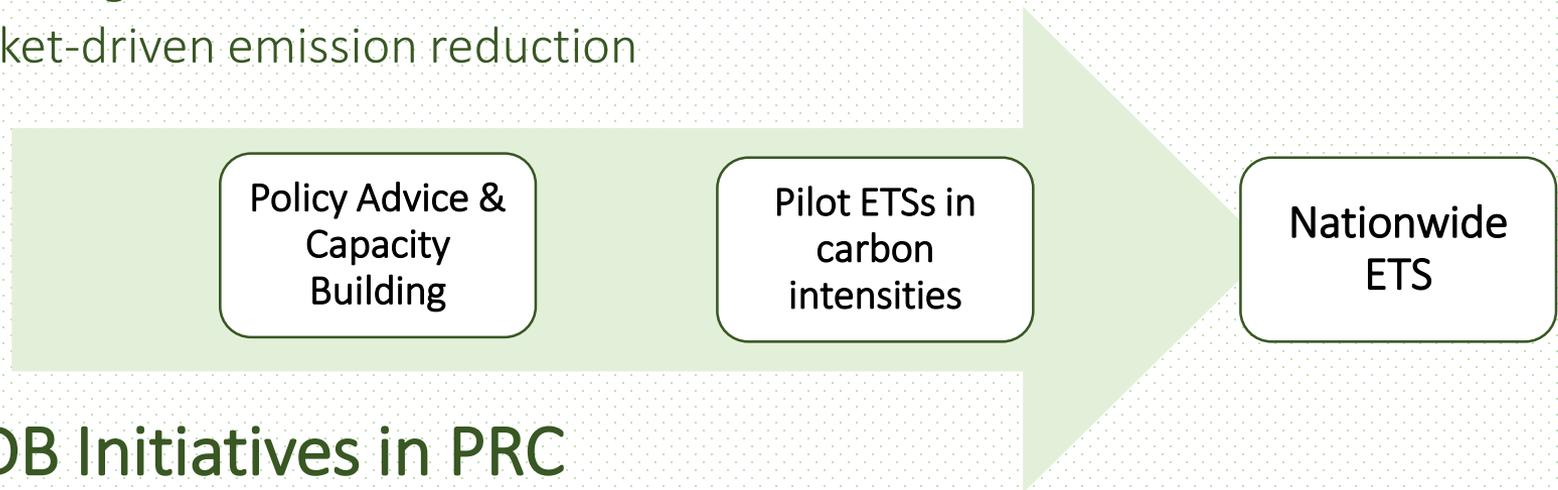
4. ADB's Approach and New Opportunities



Innovative Financial Initiatives (1)

Emission Trading Scheme (ETS)

- Designed to enable the trading of emission reductions between enterprises that have obligations for emission reduction
- Market-driven emission reduction

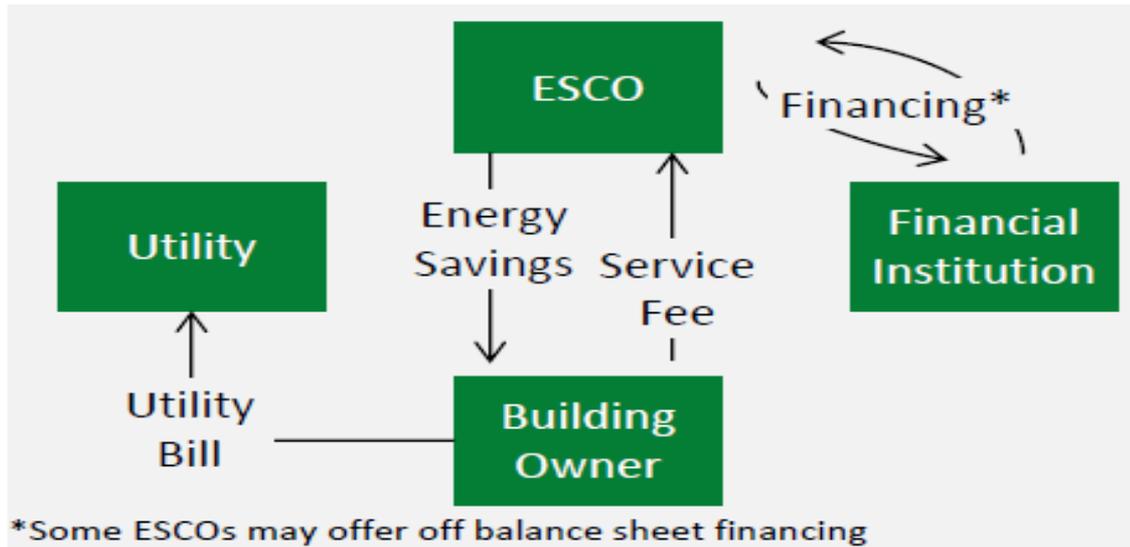


Key ADB Initiatives in PRC

- Advancing Shanghai Carbon Market through Emissions Trading Scheme (TA, 2012)
- Developing Tianjin Emission Trading System (TA, 2011)
- Market-Based Eco-Compensation Mechanisms in Beijing (TA, 2013)
- Study on Beijing Green Finance Development Strategy (TA, 2010)

Innovative Financial Initiatives (2)

ESCO Financing



Key ADB Initiatives in PRC

- Green Financing Platform for Accelerated Air Quality Improvement in the Greater Beijing-Tianjin-Hebei Region (FIL with Green Leasing, Green Bond, Green Credits, and Guarantee, 2016)
- Shanxi Accelerated Energy Efficiency (FIL, 2016)

Innovative Financial Initiatives: Leverage (3)

Key ADB Initiatives in PRC

Fund	
Climate Change Fund (CCF)	The CCF was established in 2008 to provide grant funding for climate-related projects, research, and development, to assess causes and consequences. Funding is provided for projects that lead to the reduction of GHG emissions or adaptation to climate change.
Clean Energy Financing Partnership Facility (CEFPF)	The CEFPF was established in 2007 and provides grant funding to member countries in the region for improving energy security and transitioning to low-carbon economies, through cost-effective investments in technologies and practices. In addition to the funds allocated to CEFPF by ADB, the fund receives contributions from countries such as Australia, Japan, and Norway.
Asia Pacific Carbon Fund (APCF)	The APCF was established in 2007 as part of ADB's Carbon Market Initiative. The APCF provides financial assistance for clean energy projects. The APCF receives funding commitments from several European countries such as Belgium, Finland, Luxembourg, Portugal, Spain, Sweden, and Switzerland.
Future Carbon Fund (FCF)	The FCF was established in 2008 and provides funding for projects that will generate carbon credits for GHG reductions after 2012, to improve energy efficiency and renewable energy.
Water Financing Partnership Facility (WFPF)	The WFPF provides financial resources and technical support for water services and river basin water management.
Poverty and Environment Fund (PEF)	The PEF is a multi-donor trust fund, administered by ADB that promotes mainstreaming of environmental considerations into broader development strategies, programs, and projects.



Innovative Financial Initiatives (4)

Non-sovereign Mobilization of Market Resources (On- going and Future Initiatives)

- Bank Loans based on Future Earnings
- Factoring of Accounts Receivables
- Design and Issuance of Collective ESCO Bonds
- Revenue/Assets-backed Securitization

Thank you

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