



## CHINA'S GREEN FINANCE STRATEGY DURING THE 14TH FIVE-YEAR PLAN

Mr Wenjian Fang, General Manager, Bank of China London Branch, Chief Executive Officer, Bank of China (UK) Limited

Dr Gerard Lyons, Non-Executive Director, Bank of China (UK) Limited

Dr Lu Li, China Economist, Bank of China London Research Centre

Webinar

Friday, 14 May 2021, 11:00 BST



# A Word From Today's Chairman



**Professor Michael Mainelli**

Executive Chairman

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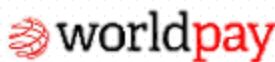
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# Today's Agenda



- 11:00 – 11:05 Chairman's Introduction
- 11:05 – 11:10 Introduction From The Bank of China – Mr Wenjian Fang
- 11:10 – 11:25 Keynote Presentation – Dr Lu Li
- 11:25 – 11:40 Questions & Answers
- 11:40 – 11:45 Final Words – Dr Gerard Lyons
- 11:45 Close



**Mr Wenjian Fang**

General Manager, Bank of China London Branch  
Chief Executive Officer, Bank of China (UK) Limited

# Today's Speaker



**Dr Lu Li**

China Economist

Bank of China London Research Centre



# China's Green Finance Strategy During the 14th Five-Year Plan

Dr Lu Li

Bank of China London Research Centre

May 2021

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# Outline

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**01** China's Climate Ambitions

**02** Green Finance in China

**03** Future Agenda



## China Pledges to Be Carbon Neutral by 2060

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China will scale up its intended Nationally Determined Contributions (to the Paris agreement) by adopting more vigorous policies and measures. We aim to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060.

----- Remarks made by President Xi Jinping  
at the 75<sup>th</sup> session of the UN General Assembly, 2020



**By 2025**  
Reduction in Carbon Intensity



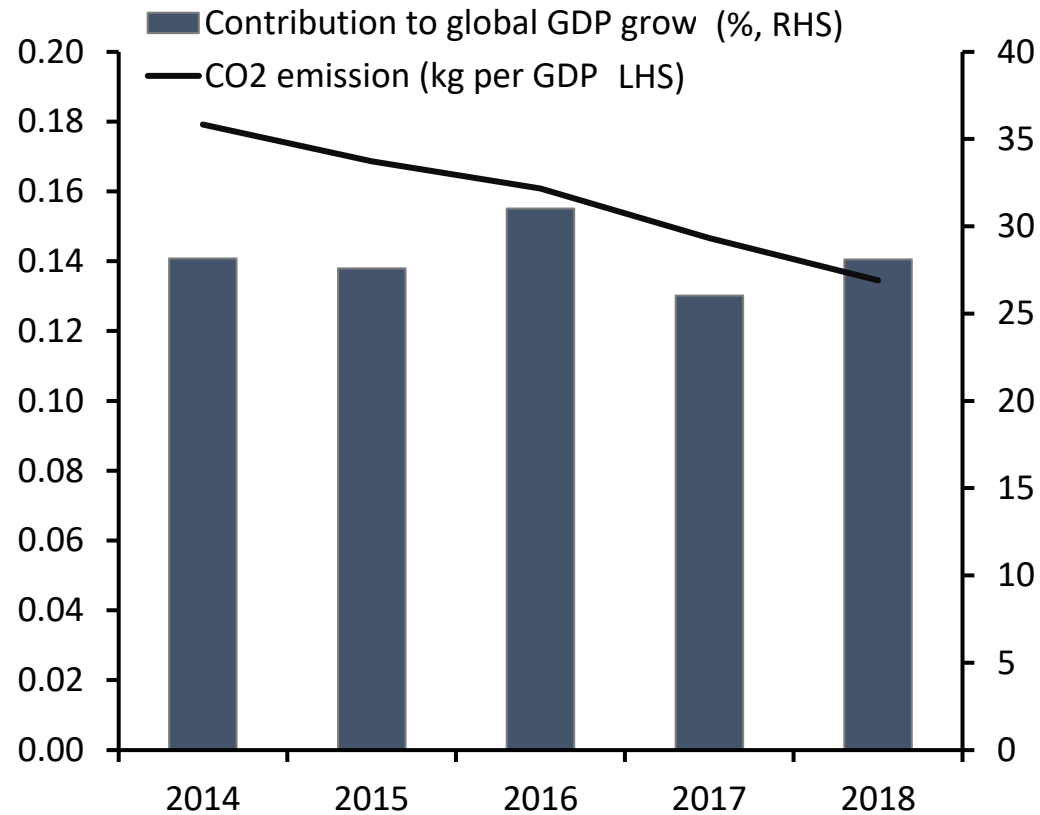
**By 2030**  
CO2 Emissions Peak



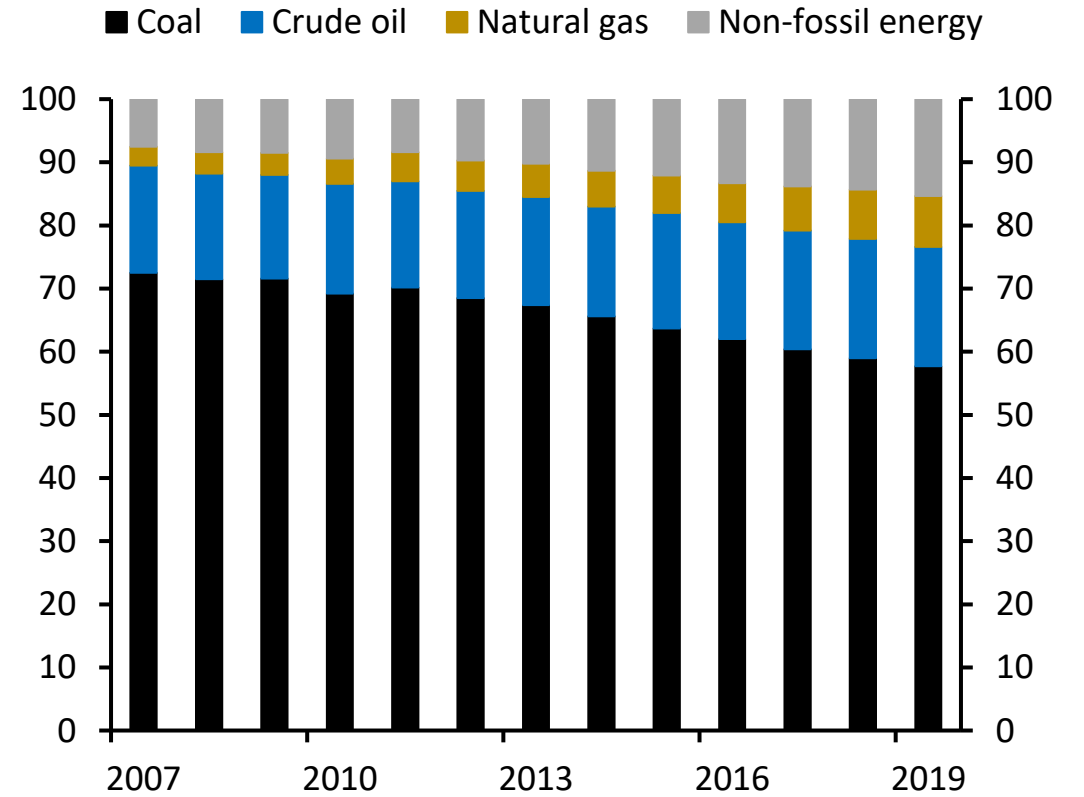
**By 2060**  
Carbon Neutrality

## China Has Made Considerable Progress in Reducing Carbon Emission

### China's CO2 Intensity & Growth Contribution (%)



### Share of Energy Consumption by Source (%)



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## China's Green Financial System

### 01 Scope of China's green finance

- Climate Change
- Resource saving and efficiency
- Environment protection

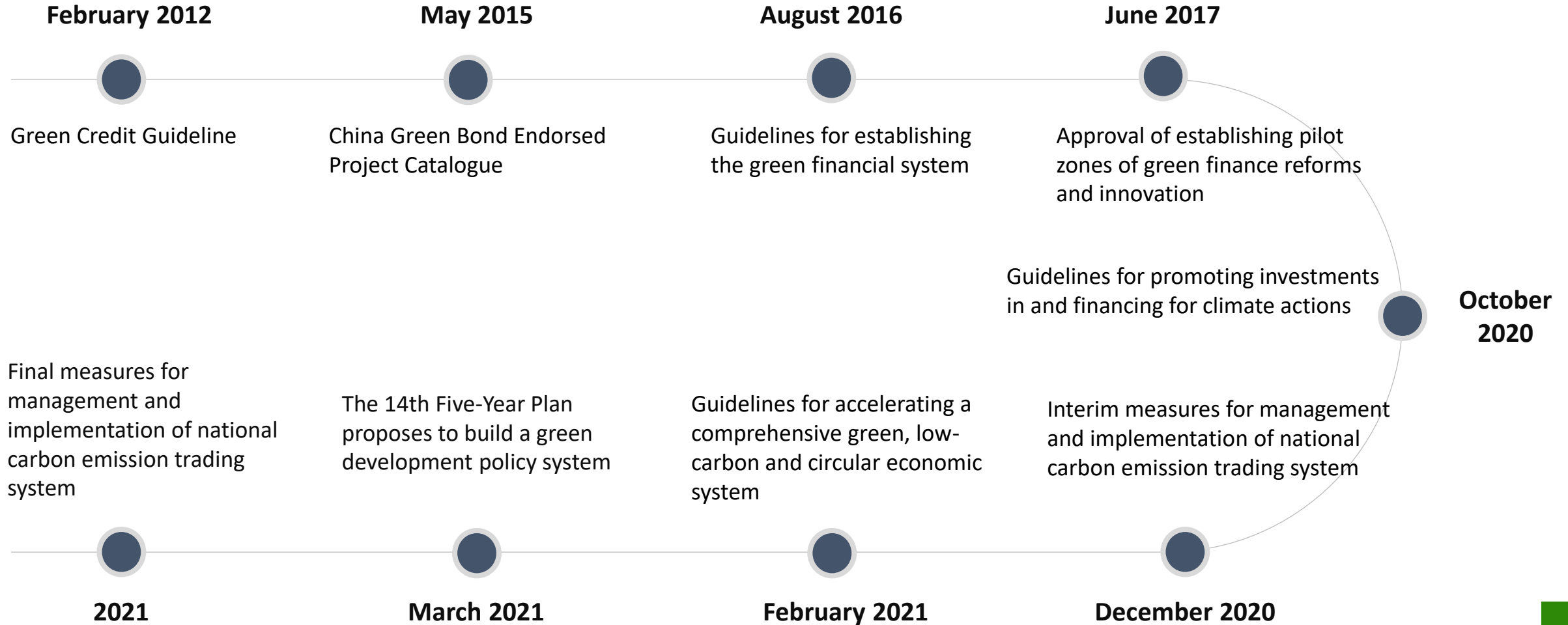
### 02 Objectives of China's Green Finance Development

- Increase financial returns and access to funding for green projects
- Decrease financial returns and access to funding for polluting projects
- Manage financial risks related to climate change

### 03 5 Pillars of China's Green Finance

- Taxonomies
- Information Disclosure
- Policy Incentives
- Financial Products Innovation
- International Cooperation

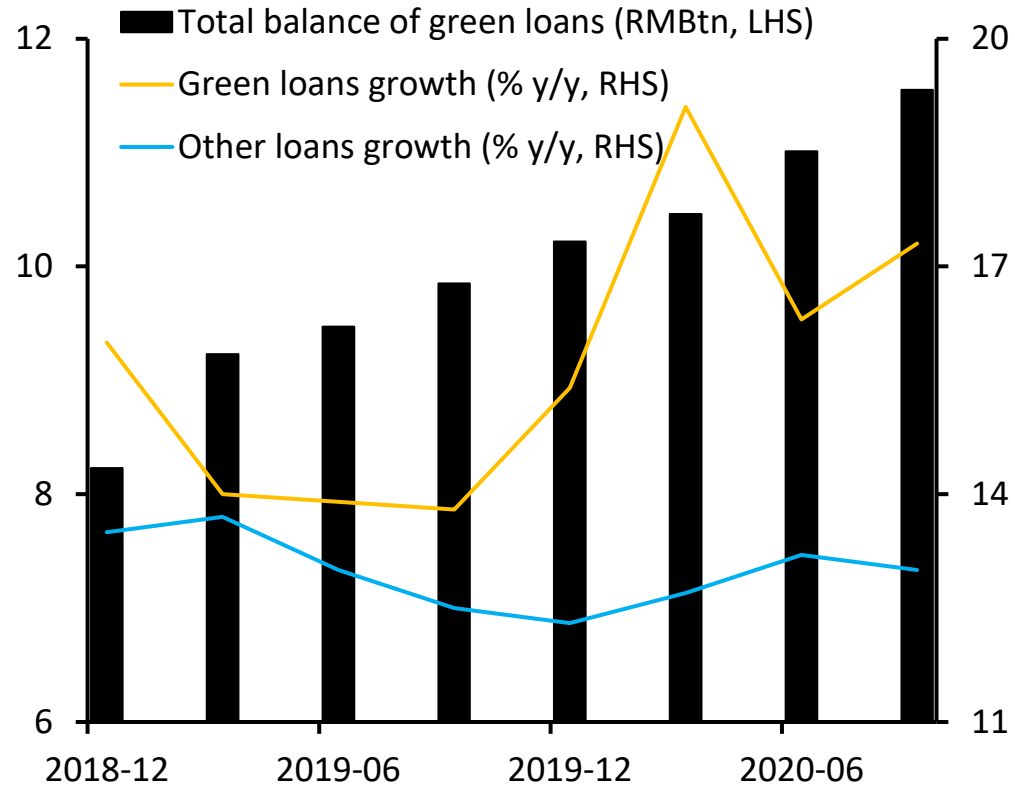
## China's Green Finance Development Policy Overview





## Green Loans: China was World's Biggest Supplier of Green Loans in 2020

### China's Green Loans



### China's Non-Performing Loans Ratio

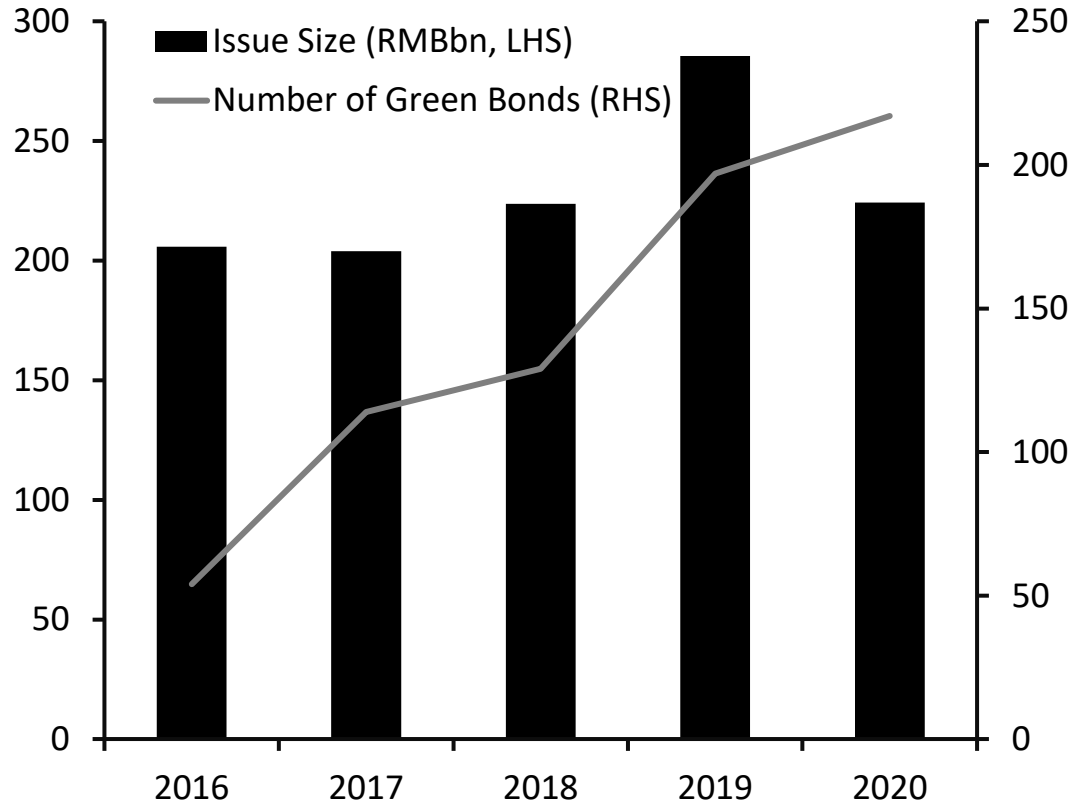
Year	Green Loans	Total Loans
2013	0.32%	1.00%
2014	0.20%	1.25%
2015	0.42%	1.67%
2016	0.49%	1.74%
2017	0.37%	1.74%
2018	0.42%	1.83%
2019	0.73%*	1.86%

\*The increase in NPL for green loans in 2019 was mainly due to different statistical standard. 2013-2018 NPL ratios for green loans cover 21 major banks, while 2019 covers the whole banking sector.

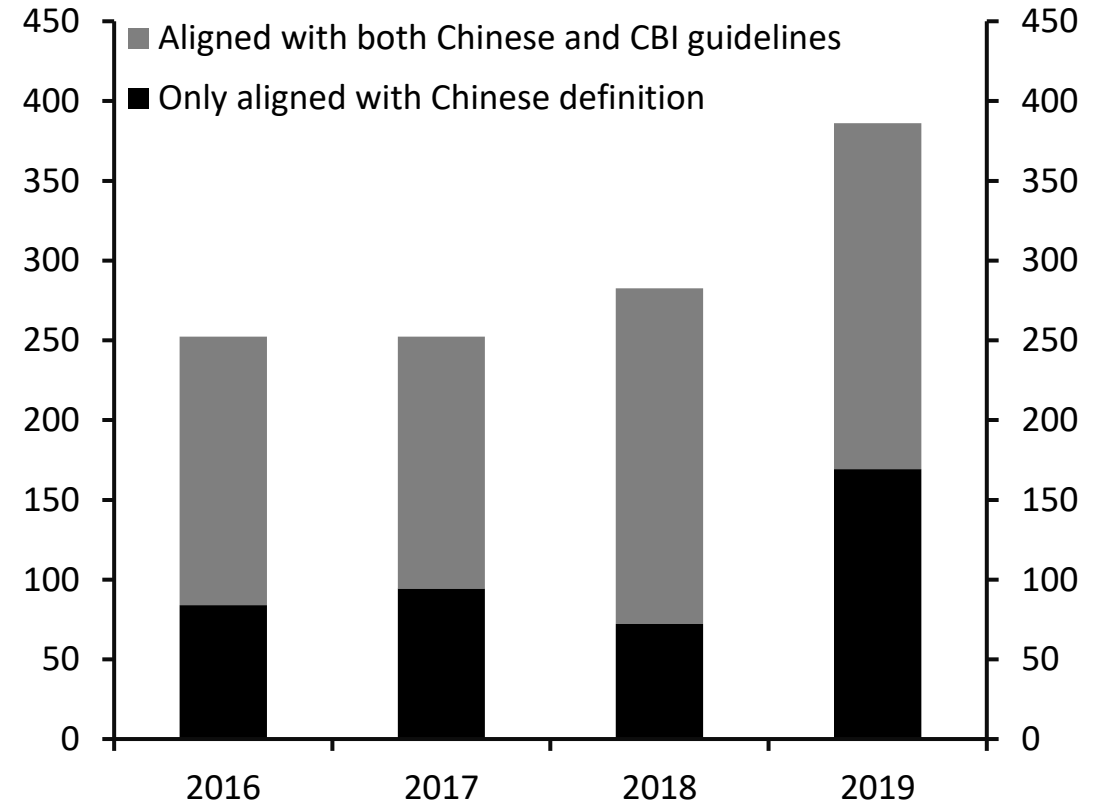


## Green Bonds: The Size of China's Green Bond Market is Immense

### China's Domestic Green Bonds Issuance

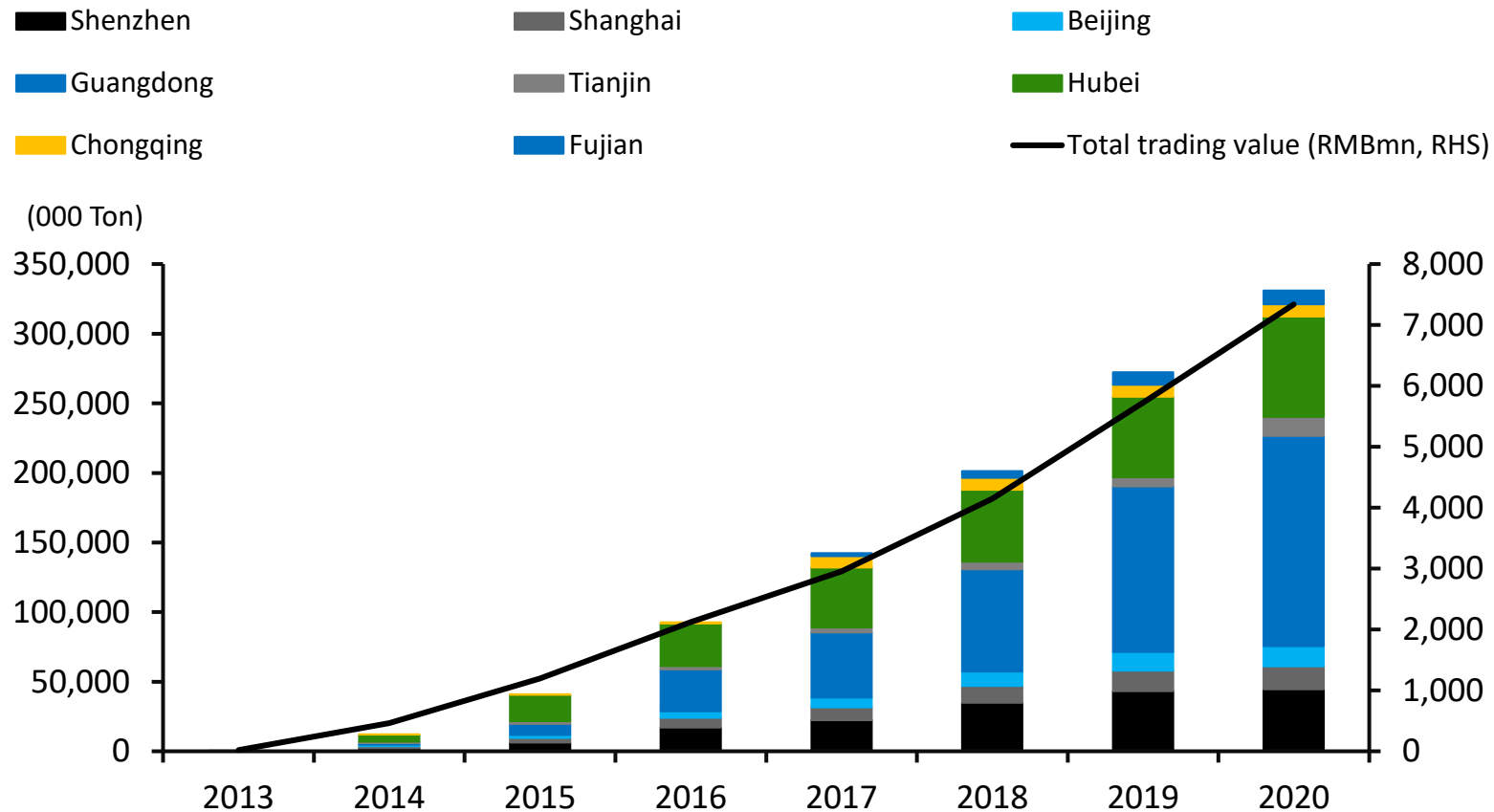


### China's Labelled Green Bonds (RMBbn)



## Emissions Trading: China Has Launched the World's Largest Carbon Market

### Cumulative Trading Volume and Value of China's Pilot Carbon Markets





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## China's 14<sup>th</sup> Five-Year Plan: Key Climate and Energy Targets

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14th Five-Year Plan to focus on quality of growth:

- Downplay GDP growth target and put more emphasis on quality



CO2 Emissions Per  
Unit of GDP

Drop by **18%**



Energy Consumption  
Per Unit of GDP

Drop by **13.5%**



Forest Coverage Rate

Increase to **24.1%**

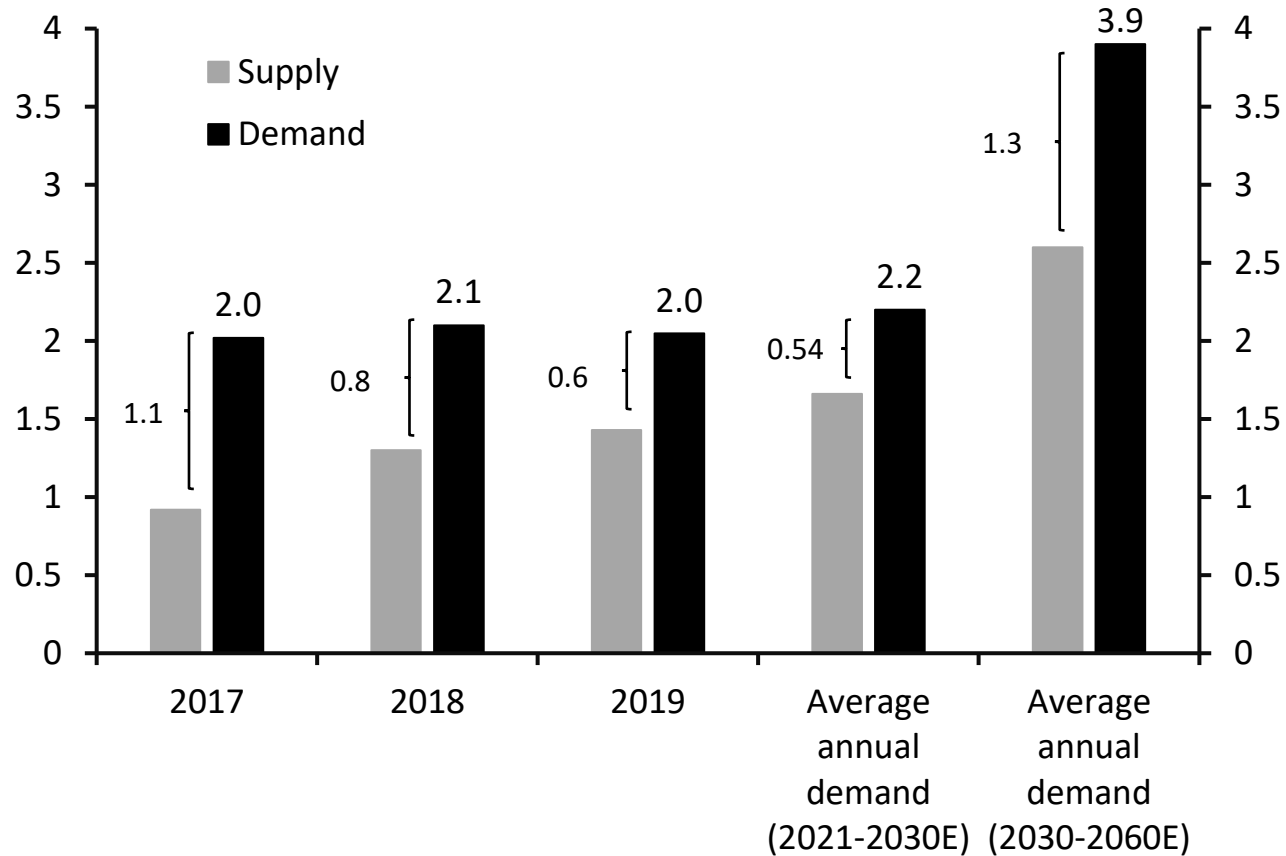


Share of Non-Fossil Energy  
in Total Energy Consumption

Increase to **20%**

## Green finance in China Has A Big Investment Gap to Fill

### China's Green Investment (RMB trillion)



› Building China's green finance system would require an investment of around **RMB2.2 trillion** per annum during the period of 2021-2030 to achieve carbon emission peak and around **RMB3.9 trillion** per annum during the period of 2030-2060 to achieve carbon neutrality, which demonstrate a significant gap.

Source: China Green Finance Progress Report



## Mobilizing Public and Private Funds to Support China's Low-Carbon Transition

### Facilitate capital to move towards greener sectors

- › **Improve green finance standards**

China's 2021 green bond catalogue will be greener, excluding coal and other fossil fuels from the list of eligible projects.

- › **Strengthen information disclosure**

A mandatory information disclosure system will be established.

- › **Build an incentive mechanism**

PBOC plan to launch a support toolkit to provide low-cost funds for carbon emission reduction.

### Promote cross-border green capital flows

- › **Formulate a common classification standard for green finance**

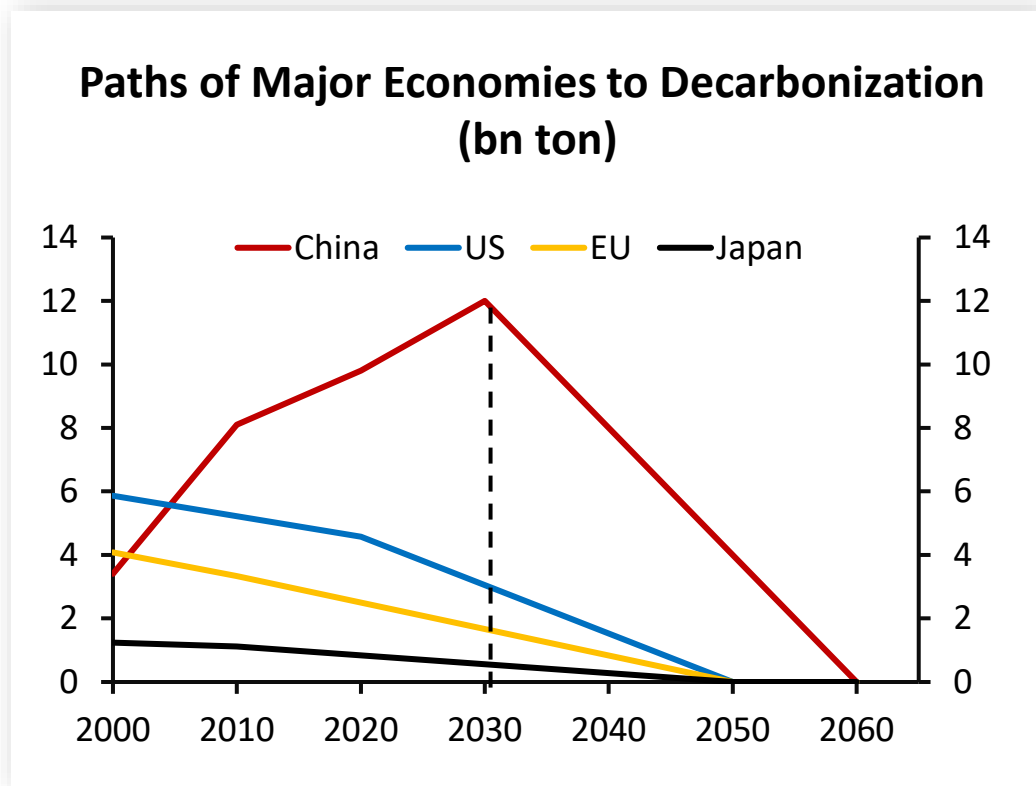
Implement and standardise a green finance system in China in co-ordination with global partners, e.g. China and EU's cooperation on green investment standards

- › **Expand the opening up of the financial industry to facilitate the participation of international investors in China's green financial market**

Expand the two-way opening of the capital market

## Manage Financial Risks Related to Climate Change

The time is shorter and the curve is much steeper for China to achieve carbon neutrality.



### At Central Bank Level

Assess the impact of climate change on financial stability and monetary policy.

- › Plan to include climate factors in financial stress tests
- › Gradually incorporate climate risks into the macro-prudential policy framework



### At financial institutions Level

Encouraged to make early preparations and actively respond to climate challenges.

- › Explore the establishment of a nationwide carbon accounting system
- › Review green loan and green bond performance on a quarterly basis

## Enhance International Cooperation

### Regional cooperation in Asia

#### Asia has broad consensus on the green transformation of the economy

- › Major economies such as China, South Korea, Japan, Indonesia, the Philippines, Singapore, etc. have set CO<sub>2</sub> emissions mitigation target.
- › Cooperation mechanism between ASEAN and China, Japan and South Korea - green and sustainable infrastructure investment

### Global cooperation

The G20 Sustainable Finance Study Group was elevated to Sustainable Finance Working Group

COP26: opportunity to enhance UK and China's green finance collaboration

US-China Joint Statement Addressing the Climate Crisis

Green Investment Principles (GIP): Continue the good progress on the GIP for the Belt and Road by expanding the number of signatories.



An aerial photograph of London, England, showing the River Thames winding through the city. The Tower Bridge is prominent in the foreground, spanning the river. The background features a dense urban landscape with numerous skyscrapers and buildings under a hazy sky.

THANK  
YOU

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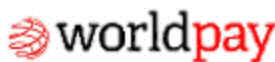
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## Forthcoming Events

- Mon, 17 May (15:30-16:15) Sequence Risk: The Biggest Investment Risk You've Never Heard Of?
- Tue, 18 May (10:00-10:45) Financial Centres Of The World 2021: Focus On Moscow
- Wed, 19 May (15:00-15:45) AI Made Inventions And AI Created Works In Europe. What Does This Have To Do With My Business?
- Thu, 20 May (09:00-10:30) UK-China-Europe Relationships & Co-operation After Brexit: Rewiring The Connections

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