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Caixin ESG Biweekly Report

China is witnessing an exponential growth in the interest in ESG and sustainable investments. The **Caixin ESG Biweekly Report** will bring you a biweekly update loaded with insights on what is driving changes in business and investment decisions in the world's second-largest economy. Stay tuned.

CENTRAL POLICIES

People's Bank of China (PBOC)

A task force sponsored by the Research Bureau of the PBOC released a paper titled “Driving the Robust Development of China's Carbon Finance Market” on Jan. 11. The report calls for an appropriate relaxation of market access, the participation of relevant financial institutions and carbon asset management companies in carbon finance market transactions and innovation in product management tools.

According to the task force, despite a solid foundation and huge potential, the development of China's carbon market still faces challenges including underutilization, incomplete policies and low financialization. If the carbon finance market is to quicken its pace of development, the spot market must be consolidated with the industrial foundation and the carbon finance system improved.

The study recommends aiming to **meet the globally designated 2030 carbon emissions peak ahead of schedule**. It also proposes studying and establishing a total carbon emission control system, specifying maximum emission levels for each industry and each region and strengthening assessments.

Ministry of Ecology and Environment (MEE)

“Guiding Opinions on Coordinating and Strengthening Efforts for Addressing Climate Change and Environmental Protection”, released by MEE on Jan. 11, stresses the need for an action plan to achieve peak carbon emissions before 2030 as well as the comprehensive role of policy tools and measures throughout implementation. The report urges the formulation of **special plans for carbon emissions peaks in key fields** such as energy, industry, transport and construction. The steel, building materials, nonferrous metals, chemical, petrochemical, electric power and coal industries are specifically encouraged to set clear targets and corresponding action plans for peak carbon emissions. To facilitate the carbon emissions trading, China needs to accelerate marketization, system construction and basic capacity building so that **the power generation industry becomes the main driver of trading of this kind nationwide**. 

National Development and Reform Commission (NDRC)

Yuan Da, director of the Political Research Department of NDRC, said that **NDRC will make swift efforts to introduce relevant policies and measures for a green, low-carbon and sustainable economy**. This initiative will consist of six major aspects: optimization and adjustment of the energy structure, accelerated transformation of the industrial structure, more efficient energy utilization, the promotion of low-carbon technology R&D, better mechanisms for low-carbon development and an increase in carbon sinks. 

LOCAL POLICIES

Shanghai

Shanghai Municipality reported on the progress of China's 13th Five-Year Plan (FYP) for Ecological & Environmental Protection (2016-2020) and introduced ideas for the 14th FYP. According to Cheng Peng, head of the Shanghai Municipal Bureau of Ecology and Environment, Shanghai is striving to reach peak carbon emissions by 2025. **Carbon emission reduction will be the fundamental of Shanghai's overall green transformation**. The municipality will continue to advance adjustments in energy, industry, transport and agriculture, vigorously develop green and low-carbon industries, actively practice a green, low-carbon lifestyle and work on building a number of new green development pilot projects – including the Demonstration Zone of Green and Integrated Ecological Development of the Yangtze River Delta and the Chongming World-Class Eco-Island.

Beijing

Beijing Municipal Ecology and Environment Bureau disclosed that in 2020 the municipality saw a drop of over 23% in carbon intensity from 2015. Beijing thus overachieved its 13th FYP target, successfully maintaining the lowest carbon intensity of all provincial-level regions across China. During the 14th FYP period (2021-2025), Beijing will continue steady reduction of its post-peak carbon emissions. Beijing is **actively carrying out assessments on carbon peak and researching special programs for carbon emission reduction.**

Guangzhou

Guangzhou Municipal Ecological Environment Bureau recently released “Regulations on Supervision and Administration of Access to Ecological Environment Protection (Draft)”. The document proposes supporting organizations in taking out environmental pollution liability insurance. Such insurance will be compulsory for certain regions and industries. Guangzhou's finance department will collaborate with local banking and insurance regulators and ecological environment departments to **establish a supervision mechanism for environmental pollution liability insurance products and services.**

COMPANIES

China Southern Asset Management Co., Ltd.

In January, Southern Asset Management became the first Chinese public fund signatory of the UN Environment Program-hosted Sustainable Blue Economy Finance Initiative, thereby pledging to follow the its principles. The initiative aims to **encourage major investments as well as insurance and loans that positively impact oceans.** It intends to strengthen support for a sustainable blue economy, promote participation by the finance sector, develop an overall sustainable marine economy and facilitate the realization of Sustainable Development Goal 14 - Life Below Water. 

INSIGHTS

More Application of Hydrogen Fuel Was Urged to Achieve Carbon Neutrality

On Jan. 16, Wan Gang, former minister of science and technology, emphasized the

importance of ***promoting hydrogen fuel cell applications in the commercial vehicle market to achieve carbon peaks and carbon neutrality***. In the China EV100 Forum 2021, Wan pointed out that the application of hydrogen fuel cells would demonstrate a means to resolve issues of intercity traffic. He also suggested that these demonstration projects should differentiate across localities. 

A Greener Finance Was Needed to Better Serve the Real Economy

Ma Jun, a PBOC's advisor, published on Caixin expressing the need for transformation in the finance sector as the real economy shifts toward low-carbon and even carbon-free development. Ma said that ***changes in the finance sector must reflect the transition in the real economy*** and meet the huge demand for green and low-carbon investment and financing. He also pointed out that the various transformation-led financial risks must be hedged, including risks of default and impairment in high-carbon industries as well as systemic financial risks faced by some high-carbon regions. Ma is currently a member of the Monetary Policy Committee of PBOC and serves as director of the Green Finance Committee of China Society for Finance and Banking. 

China's Green Bonds Exceeded 1.4 Trillion Yuan By 2020

IIGF, a think tank in China, recently released the China Green Bond Market Newsletter 2020. According to the analysis, the total amount of Chinese labeled green bonds issued domestically and overseas had exceeded 1.4 trillion yuan (\$215.9 billion) by the end of 2020. Green bonds issued domestically and overseas in 2020 amounted to 278.7 billion yuan (\$42.9 billion), marking a decline from 2019. Non-labeled green bonds invested in green industries reached 1.67 trillion yuan (\$257.5 billion) in 2020, scoring a threefold year-on-year increase, ***showing the bond market's strong support for the green industry***. IIGF, abbreviation of International Institute of Green Finance, is a research arm under the Central University of Finance and Economics of China. 

Research Suggested No New Investments in Coal Power during the 14th FYP

Energy Transitions Commission (ETC) believed that all new power demand will need to be satisfied by zero-carbon power generation in the 2020s, with ***no new investments in coal power during the 14th FYP period***, in order to achieve peak carbon emissions before 2030 and carbon neutrality before 2060. Lord Adair Turner, chairman of ETC, suggested that this development strategy is ***both technically and economically feasible***. On Jan. 15, 2021, ETC and the Rocky Mountain Institute cosponsored online conference "China Zero-Carbon Electricity Growth in the 2020s: A

Vital Step Toward Carbon Neutrality" and released the research outcomes 

About China ESG30 Forum: launched by Caixin, China ESG30 Forum is a high-level committee that brings together 30 experts annually to discuss ESG-related theory, policy and practical issues in China.

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