



AFD AND

# The Development of a Green Financial System in China



**350  
million**  
in commitments for  
climate funding

**90 projects**  
for energy efficiency  
and renewable energy  
supported

**9,000**  
bankers trained in  
climate-related issues

The Chinese government has set itself highly ambitious aims in the fight against climate change, in particular its target for carbon neutrality by 2060. To reach these goals, the financial sector and private funding play a key role. In China, AFD is helping to redirect investment decisions from the financial sector towards more sustainable investments and thus promote ecological transition.

# OUR ACTION IN China

1

## Supporting climate funding

The financial requirements to achieve the targets set by the Chinese government in the framework of the 13th 5-year-plan (2016-2020) for the fight against climate change were estimated at around €300 billion per year, according to the People's Bank of China.

The government can provide just 15% of this funding, thus conferring a major role on the engagement of the financial sector and private funding.

The Chinese government thus adopted a significant number of regulations to promote 'green finance' activities for Chinese banks and for the financial sector in general.

In 2012, the China Banking Regulatory Commission (CBRC) published the *Green Credit Guidelines*, requesting Chinese banks to promote the funding of a low-carbon 'green' economy and to comply with the best international practices in the assessment and follow-up of the environmental and social risks of funded projects.

In 2016, the *Guidelines for Establishing the Green Financial System* were co-drafted by seven Chinese ministries and central administrations and presented during the G20 summit in Hangzhou.

AFD is supporting the development of the green financial system in China and the transformation of stakeholders' practices through credit lines in the banking sector, alongside technical assistance for the development of specific technical skills and via the funding of the first provincial 'climate' fund in China. We also foster dialogue with the academic community, the banking sector and regulatory authorities on the management of climate funding risks, in order to participate in the shift to a low-carbon and resilient economy.

2

## Supporting three Chinese banks in the boosting of their green finance activities

As of 2007, AFD launched a cooperative program with three Chinese banking partners, the Shanghai Pudong Development

Bank (SPDB), Huaxia Bank and China Merchants Bank (CMB), via two green credit lines. This enabled the funding of companies who have invested in the energy efficiency sector and renewable energies in China.

These lines were accompanied by a technical aid scheme. With the support of the French Facility for Global Environment (FFEM), a team of French-Chinese specialists in green energies was formed to advise banks and their clients on the choice of projects, technologies to implement and the analysis of anticipated energy efficiency. A second aspect of this scheme has enabled the development and consolidation of specific skills for their teams in this field.

90 energy-efficiency and renewable energy projects in 22 Chinese provinces have benefited from AFD funding, and around 9000 bankers have received training in climate-related issues.

In 2007, this was the first green credit line operation to be initiated by a donor in China and it enabled the three beneficiary banks to implement a strategy and operational tools devoted to green finance. It also allowed the SPDB to contribute to the preparation of the Green Credit Guidelines, which were drafted by the central Chinese authorities in 2012.

3

## Supporting the creation of the first provincial 'climate' fund in China

In 2020, AFD contributed to the creation and funding of the Shandong Green Development Fund, a green investment fund devoted to the development of 'green' amenities in the historically highly-industrialized province of Shandong.

As 'climate' funds do not exist in China, this scheme is a pilot project which will help to boost the funding of new climate-friendly projects. The structuring of the fund is a financial innovation which, thanks to long-term funding from donors and local governments, will help to trigger participation from private, institutional and business investors. The funds will target investments aimed at reducing climate change and adapting to its impacts and will focus on those industries with the highest carbon emission levels.