

CHINA SUSTAINABLE FINANCE NEWSLETTER

Issue #17



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This is the quarterly newsletter following developments in sustainable banking in China. It offers updates on what Chinese banks, Chinese government regulatory departments, civil society and international stakeholders are doing to promote sustainable finance initiatives for China's financial sector. We invite these stakeholders to read the below updates and contribute their own information on relevant sustainable finance work in China.

We hope you find this update useful to your work and encourage you to send any feedback to [Katharine Lu](#).

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POLICY DEVELOPMENTS

1. The CBRC to measure bank implementation of the green credit guidelines

China's Banking Regulatory Commission (CBRC) reported that it completed initial work to [measure](#) the effectiveness of green credit implementation within Chinese banks in December 2012. One of the main objectives of the work is to measure, report and verify the environmental benefits of bank-financed projects, according to a CBRC official. Currently, the CBRC is holding consultations with various ministries in order to receive comments and suggestions. Testing of the indicators within Chinese banks is to follow and may be formally introduced in 2013.

2. MEP issues new list of environmentally sensitive products

The Ministry of Environmental Protection released an updated [2012 comprehensive list](#) of highly polluting, environmentally risky products in December. The list, which was not made public, included 596 products that the MEP sought to control through economic policies and market regulations. It was sent to 13 relevant government departments including the National Development and Reform Commission, the People's Bank of China and the Ministry of Commerce. Along with the list, the MEP made seven policy recommendations to strengthen list control, including the elimination of export tax rebates and prohibition of trade in products on the list.

3. MEP issues circular on strengthening environmental information disclosure

In-line with previous moves to strengthen information disclosure of environmental activities within Chinese companies, the Ministry of Environmental Protection published and distributed "[The Circular on Further Strengthening Disclosure of Information of Environmental Protection](#)" on October 30th. The circular follows previous [draft guidelines](#) from the MEP instructing listed companies to fulfill more explicit environmental protection responsibilities and environmental information disclosure obligations in September 2010 (for more information, see newsletter #10, November 2010).

4. Hubei Province secures concessional financing for environmentally friendly projects

Hubei Province took steps to promote green credit and pollution reduction in January 2013 when the Hubei Department of Environmental Protection signed a [strategic cooperation agreement](#) with the Wuhan branch of Industrial Bank. The agreement seeks to secure financial support for the construction of several emission reduction and energy saving projects throughout the province. Under the terms of the agreement, companies with projects focusing on pollution abatement, emission reduction and energy saving may receive a full range of financing support services, including receiving special loans with preferential terms and interest rates.

SUSTAINABILITY IN CHINA'S FINANCIAL SECTOR

5. Progress by Chinese commercial banks toward green credit implementation

According to China's *Securities Times* news source, [4 Chinese commercial banks](#) have established special departments responsible for green credit implementation by January 2013. As a result of bank measures, the news outlet stated, bank lending to energy inefficient and polluting projects in the iron and steel, cement, thermal power, metallurgy, and coal industries has fallen while access to credit for more environmentally friendly projects has grown. Recently, some Chinese commercial banks have reported new green credit initiatives, such as [Shanghai Pudong Development Bank](#), which developed a Green Credit System providing integrated green finance services to low-carbon industries.

However, commercial banks continue to be an important means through which environmentally sensitive industries receive financing. For example, the [Bank of China](#) signed a strategic cooperation agreement with the Tianjin Mining Exchange, a trading institute for mining and exploration rights, offering a US\$ 10 billion line of credit to support the expansion of Chinese mining companies in overseas markets.

6. Chinese media promotes green credit practices among domestic banks

Various Chinese media outlets have endorsed domestic banking efforts to implement green credit policies. The *Securities Times* highlighted China's Industrial Bank, ICBC and Bank of Communications as examples for other Chinese banks in terms of implementing green credit concepts in January 2013. The *National Business Daily* also honored [Industrial Bank](#) as the "Best Listed Company for Contribution in Social Responsibility" for its "achievements in performing social responsibilities, practicing sustainable finance and serving the real economy."

Chinese media have encouraged Chinese commercial banks to improve their performance by strengthening supervision and disclosure of loan information, as environmental protection departments often do not know which banks finance polluting enterprises. However, the [Policy Research Center of the Ministry of Environmental Protection](#) reported that only a small number of banks had introduced measures to implement green credit policies in September 2012.

7. Forum on environmental responsibility of Chinese listed companies

Executives from nearly 100 companies listed on stock markets in China participated in a forum to discuss their environmental responsibility, according to China's *Guangming* online news source. At the forum, a new [survey](#) of the companies' environmental responsibility was released. The survey found that few Chinese listed companies take seriously their environmental responsibilities. For example, based on 2010 data more than half the companies listed on the Shanghai and Shenzhen stock exchanges have not released corporate social responsibility reports.

CIVIL SOCIETY ACTIVITIES

8. Green Watershed engages Chinese banks on green credit

During the last quarter of 2012, Green Watershed engaged bank staff in charge of Green Credit programs at several publicly listed Chinese banks on the banks' green credit policies and measures. Meetings were held with the Shanghai Pudong Development Bank in Shanghai, Ping An Bank in Shenzhen, Industrial and Commercial Bank of China and China Everbright Bank in Beijing, and Industrial Bank in Fuzhou. Information obtained throughout the interviews will help Green Watershed to better evaluate banks' environmental performance for the NGO's 2012 annual assessment. More importantly, the communications help promote mutual understandings and strengthen relationships with banks. For more information, please contact [CHEN Yuxin](#) at Green Watershed.

9. G:Hub reviews the last 20 years of China's green finance in new publication

Greenovation Hub published a review of China's fiscal and financial policies utilized in promoting green, low-carbon development during the past 20 years. The review, titled "Fiscal Policy and Green Finance," finds that there has been great progress in environment-related taxes and subsidies, pollution charges, green government procurement, public investment for environmental protection, resources and energy pricing, and green lending from Chinese banks. Incorporating viewpoints of a range of stakeholders, the paper also highlights existing opportunities and needs in order to make green finance more effective. The review appeared as a chapter in the recently released report, *China Going Green? A Civil Society Review of 20 years of Sustainable Development*, which was published by six Chinese NGOs including Greenovation Hub, Shan Shui Conservation Center, IED, CANGO, IPE and Friends of Nature. The report reviews progress made by China in the last two decades in the sphere of sustainable development and includes interviews and opinions of 100 stakeholders in government, the corporate sector and the environmental community on sustainable development in both China and around the world. It also features vital recommendations offered by Chinese civil society for the further advancement of sustainable development.

The full Chinese report is available [here](#), and an English summary is available [here](#).

10. New study by Syntao and Global Witness on transparency and the SSE

The Shanghai Stock Exchange (SSE) has the potential to play a greater role in improving extractive company transparency and disclosure and build on its existing social responsibility and corporate governance measures, according to a new report from Global Witness and Syntao. [*Transparency Matters: Disclosure of payments to governments by Chinese extractive companies*](#) assesses the tax payments made by Shanghai-listed extractive companies to governments in resource-rich countries in 2010 and 2011. Additionally, it highlights some innovative measures brought in by the SSE and presents an analysis of survey responses from a cross-section of extractive industry stakeholders in China and international experts. Global Witness and Syntao recommend that the SSE review its existing disclosure requirements targeted at the extractive industry. In particular, the SSE should follow international best practice standards and require extractive companies to provide details on payments to domestic and host governments on an annual basis. The report was launched at an event in Beijing on January 16th.

INTERNATIONAL COOPERATION AND DEVELOPMENTS IN SUSTAINABILITY

11. IFC launches sustainable banking network for emerging market regulators

The International Finance Corporation (IFC) launched the [Sustainable Banking Network](#) in December 2012 to help bank regulators in emerging markets develop green-credit policies and environmental and social risk-management guidelines by sharing knowledge and technical resources. The network, led by IFC, is an informal group of bank regulators and banking associations. It will support members in their efforts to develop standards, policies and guidelines for environmental and social best practices in their countries' banking sectors. It was established in response to requests from several countries attending the first International Green Credit Forum in Beijing in May 2012 who asked IFC to help build a network of regulators who could share insights and experience. To date, the network has members from Bangladesh, Brazil, China, Indonesia, Lao PDR, Mongolia, Nigeria, Peru, Thailand and Vietnam.

12. WWF co-hosts training for Chinese banks with the CBRC

WWF co-organized a training for Chinese financial institutions focusing on the implementation of China's Green Credit Guidelines to assess environmental and social risks of credit related to water projects. The workshop, titled "[Water resources and risk management](#)" was held on 20-21 September 2012 in Suzhou and was attended by 18 Chinese banks, including China Development Bank, the Export-Import Bank of China, the Agricultural Development Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, China Construction Bank and the Bank of Communications. Participants discussed the environmental and social risks of hydropower construction and other water projects. This was the second of a series of training sessions organized by WWF and CBRC on the implementation of the "Green Credit Guidelines" since they were issued in February 2012.



BankTrack www.banktrack.org

Vismarkt 15, 6511 VJ, Nijmegen, The Netherlands

(t)+31 24 3249220 / Contact@BankTrack.org

Mailing List:

<http://www.banktrack.org/show/pages/maillinglist>



Friends of the Earth-US www.foe.org

(t)+415.544.0790 x220 / (f)+415.544.0796

2150 Allston Way, Suite 240

Berkeley, CA 94704

US

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