

CHINA SUSTAINABLE FINANCE NEWSLETTER#

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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. New guidelines on environmental protection on overseas investments

In late February, China's Ministry of Commerce and Environmental Protection released new guidelines on environmental protection among overseas investments. The new policy provides Chinese companies basic guidance on how to manage environmental and local community risks when operating abroad. The policy instructs companies to create a range of environmental safeguards, from conducting environmental impact assessments, releasing pollution results to the public, and respecting the beliefs and rights of local communities, among others. While inadequate to fully regulate Chinese companies abroad, the policy is the first to highlight the importance of environmental protection among China's growing overseas footprint. The policy is available online in [Chinese](#) and [English](#).

2. New Provision on Regulating Competitive Activities in Outbound Investments

China's Ministry of Commerce added another policy to its growing portfolio of guidelines on managing overseas investments. The British Chamber of Commerce Shanghai reported the release of a new policy to encourage fair competitive activity among overseas investments. According to the news release, the "Provisions on Regulating Competitive Activities in Outbound Investment and Co-operation" encourages healthy competition by prohibiting activities deemed to be unfair, including:

1. *giving commercial bribes to pursue business opportunities;*
2. *unfair price competition for the purpose of edging out competitors;*
3. *collusive bidding;*
4. *defaming business reputation of competitors;*
5. *making false representations of business performance and achievement; and*
6. *other competitive activities to be considered unfair under law.*

According to the new policy, Chinese enterprises that violate the provisions will face sanctions from MOFCOM. An English or Chinese copy of the full text is not yet available online at this time.

3. New pilot scheme for compulsory environmental liability insurance

The China Insurance Regulatory Commission (CIRC) and Ministry of Environmental Protection announced a new pilot scheme for compulsory environmental liability insurance. Companies that will be impacted by the provisional scheme include those which produce or deal with heavy metals and other hazardous materials. The trial insurance program will require companies in the non-ferrous metal mining and smelting, lead battery manufacturing, leather manufacturing, and chemical materials manufacturing sector to purchase pollution liability insurance. Insurance coverage is reported to cover personal injury or death from pollution, expenses to save any third party's life or reduce property loss, clean up costs from pollutants, any costs to control the pollutant diffusion, as well as indemnity. According to the guidelines, the insurance company or a third party may assess the environmental risks. Companies which fail to purchase environmental liability insurance may face loss of funds or approval from the Ministry of Environmental Protection. The MEP will be authorized to share information on insurance records with banks as a means to rate clients and collaborate with other government agencies in order to reward or give priority to companies that have purchased insurance. In the wake of serious earthquakes, the CIRC is officially supporting the development of a separate fund for disaster insurance as well.

SUSTAINABILITY IN CHINA'S FINANCIAL SECTOR

4. China Banking Regulatory Commission Develops Criteria for Green Credit Evaluation System

Chinese media have reported that the China Banking Regulatory Commission (CBRC) has developed nineteen indicators to evaluate the efficacy of the Green Credit Directive. Accountability and performance indicators may include the issuance of green credit and project management. The CBRC will reportedly establish a credit blacklist mechanism that will be leveraged in conjunction with other government agencies; companies which fail the green credit evaluation system may also face a suspension or halt in their loan disbursement.

5. Chinese Media Interview with Chairman of the China Banking Regulatory Commission

In a recent interview with Chinese media, Shang Fulin, Chairman of the China Banking Regulatory Commission, reflected on the “historical contributions” of the government agency throughout the past ten years. Fulin characterized the CBRC’s past ten years as a process to develop a regulatory framework for both small and large enterprises. In recent years, environmental considerations and good corporate governance have also taken on increased importance. He stated that the prime function of the CBRC is to prevent and control risks and to also speed up China’s ability to “go out” in ensuring China’s competitive edge in the international market.

6. Chinese Bank Officials Advise for Broader Adoption of Sustainable Finance Principles

Chinese banking officials are voicing the need for a stronger and broader adoption of corporate social responsibility policies. In an op-ed published by the China Daily, a senior manager at Bank of China argued for the broader adoption of corporate social responsibility among Chinese commercial banks. As a driving force of local economies, he argues that banks possess a unique role in regulating resources and should thus create more effective green finance mechanisms which promote environmentalism and social progress. In addition, the board chairman for Industrial Bank, the only Chinese bank to have adopted the Equator Principles, called for developing green finance in five areas, including: creating green finance certifications, permitting special bonds only for green projects, allowing a looser policy for writing off non-performing debts, establishing tax breaks, and persuading local governments to create a green fund for energy conservation and emission reduction projects which target SMEs.

7. UNEP Finance Initiative to Hold Global Roundtable in Beijing

The UNEP Finance Initiative will hold its annual global roundtable in Beijing, focusing on the theme of “Financing the Future We Want: China, Emerging Markets and the World Economy”. The conference will explore how to accelerate the integration of sustainable thinking into the financial sector, identifying the key stakeholders and partners in sustainable finance, sharing knowledge and experiences from emerging economies, and understanding whether financial institutions can deliver a “future we want”. The roundtable will take place from November 12 – 13 and hold special sessions on China’s role in sustainable development.

CIVIL SOCIETY ACTIVITIES

8. BankTrack establishes New Working Group on Emerging Finance Institutions and Palm Oil

On the heels of its meeting in Germany, BankTrack formally established two new working groups on emerging finance institutions and palm oil. The emerging financial institutions (EFI) working group, with an emphasis on BRICS countries, formed in response to its members' interest in monitoring the increasing clout of state owned enterprises, national development banks, and other financiers in international development projects. The new working group will kick off its research goals by authoring a report comparing and evaluating the opportunities and differences among all BRICS environmental and banking policies. BankTrack's new working group on palm oil will engage on improving palm oil financing policies, build finance sector awareness of environmentally destructive palm oil plantations, and enhance NGO capacity in Southeast Asia and Japan. Although palm financing campaigning first emerged in the early 1990s, the increasing number of problems surrounding palm oil has created a renewed sense of urgency and need for action, particularly among banks which finance palm deals. For more information on the EFI or palm oil working group, please contact [Katharine Lu](#) or [Johan Frijns](#).

9. Amazon Watch Advocates Against Chinese Investors in Ecuadorean Oil

Amazon Watch, in support of seven indigenous nationalities, advocated against the auction of Ecuadorean oil blocs to Chinese investors. Despite objections from local communities, Ecuador plans to sell the oil blocs located in the pristine Amazon rainforest and organized an international road show to attract potential investors. Earlier in March, the Ecuadorean government representatives travelled to Beijing to publicise the bidding process to Chinese companies, including China Petrochemical and China National Offshore Oil. Indigenous nationalities state that they did not consent to the auction of the oil blocs within their territory, arguing that the oil projects would devastate the environment and jeopardize their way of life. As the Ecuadorian government publicized the bidding protest around the world, Amazon Watch coordinated protests with indigenous groups in Houston, Quito, Montreal, and Paris, as well as other cities where meetings were held. Please contact [Amazon Watch](#) for more information.

10. National Development Bank Conference to be Held in Hong Kong

An international conference examining the evolving role of national development banks in the global economy will be held at Chinese University of Hong Kong this fall. The conference will bring together scholars, activists, researchers, civil society, government officials, and banking representatives in order to deepen the current level of understanding on policy banks and their unique position in altering the landscape of international development. In addition, the conference will explore the impact of the new BRICS Bank in creating new possibilities or risks in global development. Tentative themes include: exploring how to promote sustainable development in BRICS countries and abroad, examining alternate development models espoused by banks, evaluating the policy and regulatory contexts in which banks operate, social and environmental safeguards implementation strategies, and examining ways in which to support BRICS financiers to become a model of innovation within the realm of environmental financial regulations and practice. An agenda for the conference is forthcoming.

11. Green Watershed Investigates the Impact of Hydropower Development on Local Minorities

From January to March, Green Watershed has worked with local NGOs in Sichuan to co-investigate the social and environmental impact of the Ya-lung river hydropower development on the life of local minorities. Part of the first-hand research results will be used for advocating for green investment to its main investor, China Investment Corporation. In the following months, several projects involving potential serious environmental or social risks in the southwest of China will also be looked into, and the sources of

investment will be tracked for further dialogue and advocacy. More information on the study is available by contacting [Green Watershed](#).

12. Australian Report Highlights Chinese Banks' Role in Financing Reef Destruction

A [new report](#) from the Australian NGO [Market Forces](#) identifies the major banks behind the destruction of the Great Barrier Reef, including China Development Bank, China Ex-Im Bank, and Bank of China. Along with the US Export Import Bank and four major Australian banks, Chinese banks are investing in the construction of a string of coal terminals and LNG plants which would devastate the fragile ecosystem of the Great Barrier Reef. The report is part of a larger campaign to promote public awareness on the role of banks in funding climate change and reef destruction. The report was the focus of a [South China Morning Post opinion piece](#), which assessed China's increasing responsibility of exemplifying sustainable development among its overseas projects. For details of the report, please contact [Market Forces](#).

13. Chinese Activist Arrested for Calling on Officials to Disclose Financial Assets

Liu Ping, a long time workers' and women's rights activist, has been detained with seven other activists for calling on officials to [disclose their financial assets](#). Chinese authorities have not officially commented on the reason for her detainment, but it is broadly speculated that it is in relation to [Ping's recent online campaign](#) to draw attention to the financial assets of local officials, which police have characterized as ["inciting subversion to state power"](#). She is being held in Xinyu, Jiangxi province with other detained activists. Because Chinese authorities are not required to notify relatives when detaining individuals, ambiguity remains whether other persons have been jailed as well.

INTERNATIONAL COOPERATION AND DEVELOPMENTS IN SUSTAINABILITY

14. BRICS Countries Announce New BRICS Development Bank

At the fifth official BRICS summit held in March this year, Brazil, Russia, India, China, and South Africa jointly announced the creation of a BRICS based development bank. The long rumoured bank will focus on funding development and infrastructure projects; BRICS countries are expected to contribute an initial \$10 billion dollars from each country to found the new development bank. In what is seen as an [effort to bolster China's already prominent role](#) in developing the BRICS Bank, [Chen Yuan](#), the former head of the China Development Bank, has been tapped to design the banking structure for the new bank.

During the BRICS summit, [a civil society summit](#) was held parallel to the meetings in order to discuss the prospects and risks of a BRICS led financial institution. BRICS leaders have long expressed a desire to create a ["more just world order"](#) through the establishment of a bank led by the Global South, however, the [lack of concrete details leaves uncertainty](#) on BRICS countries' commitment to sustainable development and finance. International NGOs have responded to the announcement with concerns that a BRICS Bank would fail to follow its own commitment to [promote sustainable growth](#) and instead [replicate an imperialist model of development](#).



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