

China Sustainable Finance Newsletter

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Sustainability in China's Financial Sector

China Banking Association establishes green credit commitment

Twenty nine banks, including China Development Bank, Industrial and Commercial Bank of China, China Export Import Bank, and China Construction Bank, have agreed to sign a [joint commitment](#) to green credit practices. The commitment establishes a committee to formally green credit at the China Banking Association. A speech from China Development Bank deputy governor on the subject is available [here](#). The bank official said that due to green credit programs at the CDB, coal, carbon dioxide, sulfur dioxide and nitrogen oxide emissions were reduced.

China APEC green supply chain

During the Asia-Pacific Economic Cooperation (APEC) meetings in Beijing, Tianjin's Yujiapu Financial District announced a "[pilot center](#)" for supporting [green supply chains](#). The center will focus on greening various aspects of the supply chain, from sustainable [financing](#) to sustainable [consumerism](#). The center calls for environmental protection to be "[prerequisite](#)" for credit.

Policy Developments

Green IPO Policy Cancelled

Companies will no longer require environmental approval from the Ministry of Environmental Protection during IPO process. The requirement was deemed as too [restrictive](#) of financial growth. According to [Caixin](#), the decision is seen as a "step toward a reform that involves switching from an approval-based listing procedure to one based on better information disclosure." IPOs which were scheduled to take place before October 19, 2014, would still require an environmental review, but IPOs after this date would not.

Central Government Proceeds with Green Credit Policy Evaluation

In December 2014, the CBRC released a [circular](#) to all banks with a self-evaluation form on implementation of the Green Credit Guidelines and other environmental banking policies. The

questionnaire, which is available online ([English google translation](#)), includes both qualitative and quantitative information. For example, in the portion of the questionnaire dealing with GCG Article 21, banks are required to answer questions relating to whether they have adopted international norms such as the Equator Principles or the UNEP Financial Initiative. Banks are required to submit their annual self-evaluations by the end of every May.

Chinese government Establishes “Landmark” Mining Transparency Policy

[CCCMC](#), a subsidiary of the Ministry of Commerce, has released the new Guideline for Social Responsibility in Outbound Mining Investments. The China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC) is a subordinate unit of Ministry of Commerce of China and registered in Ministry of Civil Affairs of China. The policy encourages mining companies to disclose revenue payments made governments, a progressive step in line with the Extractive Industries Transparency Initiative. According to [Global Witness](#), “This is the landmark transparency scheme which requires extractive firms in participating countries to publish their payments – such as taxes, royalties and licence fees – from each project they operate. The Guidelines also cite the EU Accounting and Transparency Directives and the US Dodd-Frank Act (Section 1504) laws, which also oblige oil, gas and mining companies to report payments at the project-level.”

Civil Society Activities

Banktrack publishes reports on banks, coal, and human rights

International watchdog NGO Banktrack has published two new reports on coal financing and human rights commitments. The report “[Banking on Coal](#)” presents an [analysis](#) of the portfolios of 92 leading commercial banks and their investments in the coal industry. It [found](#) that roughly 73% of the 373 billion euros of coal financing were funded by only 20 global banks, including those from China. The report is a follow up study to the 2011 report “[Bankrolling Climate Change](#)”. Another report – “[Banking with Principles?](#)” – evaluates 32 global banks against the UN Guiding Principles on Business and Human Rights, which establishes the responsibilities of businesses to respect fundamental human freedoms. The report [found](#) while half of the banks had developed human rights policies that included a clear commitment to respect human rights, the majority of banks did not provide any reporting on human rights developments or impacts at the bank. The report included major European, American, Latin American, and Chinese banks.

New book on Chinese Investment Overseas case studies on Environmental and Social Risks

Peking University Press has published a new book on the environmental and social risks associated with Chinese overseas investments. The publication, “[Chinese Investment Overseas case studies on Environmental and Social Risks](#)”, is edited by Zha Daojiong, Li Fusheng and Jiang Hen. The book includes essays and case studies which assess various risks from a practical and theoretical perspective. Analysis includes examples from Southeast Asia, Africa, Latin America, and developed countries in various

sectors, such as extractives, infrastructure, and manufacturing industries. The book also includes practical recommendations for Chinese overseas investors to be responsible for their investment socially and environmentally.

Chinese Overseas Mining Report

Greenovation Hub has published a [report](#) assessing the [China's progress](#) in domestic and international mining industries. It includes case studies from China, Peru, Laos and Cambodia. The report discusses both challenges and opportunities for the Chinese mining industry abroad and at home. At this time, the report is only available in English.

Environmental safeguards at the AIIB

The creation of China's [Asian Infrastructure Investment Bank](#) has given rise to concerns that the new institution might undercut international sustainable financing norms. In a 11 November 2014 statement the [Asian Development Bank's Independent Evaluation Unit](#) noted that the rise of the AIIB and the BRICS (New Development) Bank, along with the World Bank's desire to pursue a more "flexible" approach to safeguards, "could dilute the strength of social and environmental protections." Similarly, an article in [The Diplomat](#) points out that the influential Indian newspaper *The Hindu* ran an editorial calling on India to work with China "to ensure that best practices are followed in projects for procurement and materials and in terms of labour and environmental standards." China's Finance Minister, Lou Jiwei, has reportedly promised that the AIIB will "adopt and learn from the existing multilateral development banks' good practices in governance structure and guarantee policy, paying attention to issues such as environment."

International Cooperation developments in Sustainability

CNPC Pays 400 million in environmental dispute, Sinopec fined 350,000

China National Petroleum Company and Sinopec Daylight Energy have been hit with fines regarding environmental violations. In October, CNPC was fined [\\$400 million](#) in compensation to settle an environmental dispute with Chad, the central Africa country's oil minister said on Monday, which was a "fraction of the \$1.2 billion" originally sought by the government. The Chad government raised the dispute after discovering that mass amounts of crude oil had been dumped into pits in the Koudwa region. CNPC has held licenses to several oil blocs since 2009, however, the recent agreement will allow the Chadian government to take a 10% stake in CNPC fields which are already producing oil, in addition to receiving existing royalty payments.

In Alberta, Canada, a [provincial court](#) recently "fined Sinopec Daylight Energy \$350,000 after the company pleaded guilty to two regulatory charges stemming from a 2012 pipeline spill in northern Alberta that spewed polluted water into a creek for more than a day before it was discovered". The case arose from an underground pipeline spill which released 391,000 liters of "process water" into a tributary in February 2012. The process water contained trace amounts of hydrocarbons and hydrogen

sulphide, which are potentially harmful to humans. The accident was purportedly caused by a contractor working for Sinopec Daylight Energy.

China Establishes Separate “Green Climate Fund”

During the Lima COP summit, Chinese government announced a separate fund, similar to the Green Climate Fund, to help developing countries fight climate change. The “South by South” fund will provide climate aid, with about \$80 million USD to be contributed in the next three years. The announcement was made in the wake of the [US-China](#) climate agreement.

ICBC joins UNEP FI

Industrial and Commercial Bank of China has become a member of the [UNEP Finance Initiative](#). ICBC joins [six](#) other banks in China as a signatory to the UNEP FI principles.