CHINA'S GREEN FINANCE TO SUPPORT CARBON NEUTRALITY: POLICIES AND IMPLICATIONS (II)

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Executive Summary

1. Green finance has developed rapidly in China in recent years. The government has adopted a top–down approach to establishing an institutional framework for green finance in China, including the green taxonomies, regulation and evaluation, information disclosure and regional pilot programmes. Green credit policies have also been adopted across several ministries and regulators since 2016.

2. Though China has made progress in the development of green finance, obstacles remain in meeting the financing needs of its transition to a green economy. The development of green finance is hampered by the lack of a domestically unified clear definition of “green”, which makes it difficult for identifying green projects, resulting in rising “greenwashing” risks.

3. China must reform and improve on the mechanism and institutional framework of its green financial market as well as further strengthen information disclosure requirements if it wants to encourage more retail investors to participate in its green financial market.

4. To facilitate China’s ongoing economic transformation from an energy-and-pollution-intensive economy to a resource-conserving and environment-friendly economy, the government should provide an institutional framework for issuers to issue green financial products in a conducive regulatory environment.

5. To foster the investment in green bonds, there is a need to introduce preferential policies such as tax exemptions to allow the market to further develop and more effectively promote the establishment of a green, low-carbon circular economy in China.

6. Regional pilots have played an important role in China’s green finance development. However, due to differences in resource endowments and economic developmental levels among pilot cities, the implementation effects appear to vary.