

SWOT Analysis of Green Finance Development under Dual Carbon Goals

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Abstract

With the increasingly serious global climate problem, green, low-carbon and sustainable development has become the main trend of global economic development. China proposes to strive to reach the peak of carbon dioxide before 2030, and strive to achieve carbon neutrality before 2060. The proposed dual carbon goal has an important impact on the development of China's green finance. This paper uses the SWOT analysis method to objectively analyze the development of green finance under the dual-carbon goal from four aspects: advantages, disadvantages, opportunities and challenges, in order to better help the development of green finance to achieve the dual-carbon goals.

Keywords

Climate Issue; Low Carbon; Dual Carbon Goals; Green Finance; SWOT Analysis.

1. Introduction

In recent years, the problem of climate change has become increasingly intensified, and various extreme weather events have surged. Countries around the world have paid more attention to the issue of climate change[1]. Green, low-carbon and sustainable development has become the main goal of global economic development. As the world's largest developing country, China is also the world's largest manufacturing country. In 2020, General Secretary Xi Jinping clearly stated at the 15th United Nations General Assembly that "carbon dioxide emissions should strive to peak by 2030, and strive to achieve a peak by 2060[2]. "carbon neutral" goal, or "two carbon" goal. "Carbon peak" means that the total amount of carbon dioxide emissions reaches the highest value in history, and then gradually declines without increasing. "Carbon neutrality" means that carbon dioxide emissions are relatively zero. The amount of carbon dioxide emissions and absorption can be positively and negatively offset, and the total carbon value is zero in a certain period[3].

The "dual carbon" goal is China's nationally determined contribution strengthening goal formulated in accordance with international regulations and a long-term low-emission development strategy for greenhouse gases for the middle of the 21st century. A solemn promise of change[4]. The Central Economic Work Conference of China has clearly listed carbon peaking and carbon neutrality as one of the eight key tasks, which shows that the country attaches great importance to green development. Green development finance takes the lead. As the core of economic and social development, green finance plays an important role in guiding and supporting the realization of the "dual carbon" goal. Since the outbreak of COVID-19, China's carbon reduction pressure has increased[5]. The "14th Five-Year Plan" and the 2035 vision proposed to vigorously develop green finance to help achieve the dual-carbon goal, which also brings opportunities and challenges. Through the SWOT analysis of the development of green finance under the dual-carbon goal, this paper understands the problems existing in the development of green finance in China, and understands the advantages, disadvantages, opportunities and challenges of green finance development, so as to better achieve the dual-carbon goal[6].

2. Advantages of Green Finance Development under the Dual Carbon Goal

2.1. Adapt to the Development Trend and Requirements of the Times

Since the 21st century, the world economy has developed rapidly, and at the same time, the global environmental problems have become increasingly serious. With the global warming, global resources are decreasing day by day. In order to cope with climate change, low-carbon development has become a new economic development trend. Countries around the world have emphasized green and low-carbon development, and have successively put forward the goal of achieving "carbon neutrality"[7]. Since the 18th National Congress of The "30-60" goal was put forward in 2008, and carbon neutrality has become a global development requirement. The sudden outbreak of the new crown epidemic in 2020 has brought a serious impact on the world, and the global economic growth rate has fallen off a cliff. More and more countries have proposed to speed up the green transformation and attach importance to promoting the green recovery of the world economy. Green finance conforms to the development trend and requirements of the times, and is an important requirement to promote green and low-carbon development and achieve global sustainable development.

2.2. National Policy Support

After proposing the dual-carbon goal, China has successively issued relevant documents, emphasizing the need to implement the new development concepts of innovation, coordination, green, openness and sharing, adhere to sustainable development, and accelerate the green transformation of the economy and society. China's 2035 vision aims to build China into a prosperous, strong, democratic, culturally advanced, harmonious and beautiful socialist country[8]. The "14th Five-Year Plan" proposes to focus on green and low-carbon development, accelerate the promotion of low-carbon development, and improve environmental quality. The "Opinions on Deepening the Battle of Pollution Prevention and Control" points out that it is necessary to base itself on the new requirements under the dual-carbon goal, and emphasizes the need to vigorously develop green credit and green bonds, promote the development of green financial markets, and enhance the modernization capability of ecological environment governance. In order to promote the dual-carbon goal achieve contribution[9].

2.3. The Top-level Design of Green Finance is Becoming More and More Perfect

China has always paid attention to the role of finance in promoting green and low-carbon development. After long-term development and exploration, the top-level design of China's green finance has been continuously improved, and the green finance policy framework has been increasingly optimized. The proposal of the dual carbon goal has promoted the improvement and development of the green financial system to a certain extent. Since 2021, in accordance with the development goals and the actual development, China has standardized a number of financial standards in the fields of climate pollution control, energy conservation and emission reduction, etc. The establishment of a green financial standard system has been continuously strengthened. Up to now, China has become the first country in the world to have a relatively complete green financial policy system, and has initially established a green financial development policy idea of "three functions" and "five pillars". The central bank also stated that in order to make green finance better support the dual-carbon goal, it will focus on strengthening the construction of the green financial system and the application of modern science and technology such as big data in system construction.

3. Disadvantages of Green Finance Development under the Dual Carbon Goal

3.1. A Late Start

Compared with western developed countries, the development of green finance in China started late, and the development of green finance is relatively lagging behind. Germany established the world's first policy-oriented environmental bank in 1974 to provide financial services for ecological and environmental protection, which is also an early green finance in the world. In 1992, the United States introduced a related bill to manage environmental damage. In 2003, Citibank, together with the world's major banks, proposed and formulated an international standard for measuring social and environmental risks, the famous "Equator Principles". In 2007, the European Investment Bank (EIB) issued the first climate-conscious bond to EU investors. In 2016, China advocated the development of green finance at the G20 summit, actively offering suggestions for the development of green finance in the world.

3.2. Information Asymmetry

The conduct of green financial activities requires understanding of various real information and data in the green industry and other fields. When financial institutions make loan investment decisions, they need data support from all parties, and conduct investigation and review of the data, which is related to whether the payment is approved or not. The development of green finance activities. In real life, especially under the requirements of low-carbon standards, most companies do not disclose their real data and information. , the relevant activities of government departments and regulatory departments cannot be carried out accurately, and the information of multi-party institutions is asymmetric, so it is difficult to carry out green financial activities effectively.

3.3. Lack of Green Finance Professionals

The development of green finance has high requirements for talents. The requirements of green finance are low-carbon development, energy conservation and emission reduction. It is not only related to the financial field, but also involves energy, ecology, law and other industries, and has extremely high professional requirements. Therefore, the development of green finance requires not only financial talents, but also requires them to be familiar with various industries, and also requires a certain knowledge of risk estimation and management. Comprehensive talents. China's green finance started late, and the country and universities have not paid much attention to talent training in this area, and there is a shortage of high-quality professional green finance talents.

4. Opportunities for the Development of Green Finance under the Dual Carbon Goals

4.1. Increasing Demand for Green and Low-carbon Investment and Financing

Under the dual-carbon goal, the transformation of economic structure is inevitable. China faces the dual requirements of high-efficiency adjustment and low-carbon transformation. The green transformation of high-carbon fossil energy is bound to cost a lot. The development of wind power, photovoltaic, new energy and other industries requires financial support. . Experts participating in the "Carbon Neutral Economy" Forum held at Tsinghua Wudaokou in September 2021 said that relevant estimates by the United Nations show that in order to meet the requirements of the "Paris Agreement" to control the rate of temperature rise, the world will increase investment by more than 90 trillion US dollars. , China's dual-carbon goal was proposed late and the target time limit is short, so it will naturally require huge investment to

fully realize the dual-carbon goal. Under the dual-carbon goal, research shows that, according to relevant estimates, China will increase its investment in green and low-carbon fields by about 487 trillion yuan in the next three decades. Among them, the proportion of green finance's investment in carbon neutrality will be as high as 90%, providing huge investment opportunities for the green finance industry.

4.2. Accelerate the Transformation of Economic Development Mode

Achieving the "dual carbon" goal is an inevitable requirement for China to implement the new development concept and achieve higher-quality economic development in the new era. On October 24, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on Completely Accurately Implementing the New Development Concept and Doing a Good Job in Carbon Neutralization", which pointed out that carbon peaking and carbon neutrality should be incorporated into the economic and social development pattern, and energy green and low energy should be adopted. Carbon development is the key, speed up the formation of industrial structures, production methods, lifestyles and spatial patterns that conserve resources and protect the environment, and unswervingly follow the high-quality development path of green and low-carbon development. China's manufacturing industry will gradually undergo transformation and upgrading, and the industry will develop in a low-carbon and green direction, promote the development of green manufacturing and renewable energy industries, improve green total factor productivity, improve the quality and efficiency of development, realize structural optimization, and promote the transformation of economic development mode , to further accelerate the process of international and domestic dual circulation, and achieve high-quality economic development.

4.3. Promote Product and Service Innovation

At present, green credit and green bonds mainly occupy China's green financial product market. According to 2021 data, as of the end of the third quarter, China's green loan balance reached 14.78 trillion yuan, an increase of 27.9% over the same period in 2020 and higher than the end of the previous quarter. In the first eight months of 2021, the issuance of green bonds exceeded RMB 350 billion, an increase of 152% over 2020, exceeding the total issuance in 2020. Among them, carbon neutral themed green bonds accumulated Issued more than 180 billion RMB. To support the "dual carbon" goal and serve green development, financial institutions should continue to innovate financial products and services, and develop targeted green financial products and services, such as innovative new credit products such as ocean loans and ecological loans, or blue bonds, green Insurance, green asset securitization, etc., meet the diverse requirements of green transformation and upgrading of enterprises, and provide a full range of financial services for the value of green financial products.

4.4. Promote the Rapid Development of the Carbon Market

The carbon market is the link between green finance and carbon peaking and carbon neutrality, and an important link for green finance to help carbon peaking and carbon neutrality. The fundamental way to achieve the dual-carbon goal is to reduce carbon emissions, which requires the simultaneous increase of resource efficiency and carbon reduction, energy structure carbon reduction, and ecological carbon sequestration. Therefore, the national carbon market is very important. Since the local pilot of carbon emission trading rights in 2011, after nearly 10 years of exploration, China has become the second largest carbon market in the world. On July 16, 2021, the national carbon emissions trading market was officially put into operation, and the Chinese carbon market has subsequently become the largest market covering greenhouse gas emissions in the world. According to information from the Shanghai Environment and Energy Exchange, as of early November 2021, the cumulative transaction volume of carbon emission allowances nationwide reached 24.9142 million tons, with a cumulative transaction value of

over 1.1 billion yuan. With the recent release of relevant policy documents such as pollution reduction and carbon emission reduction by central ministries and commissions, the activity of carbon trading has continued to increase, and the development of the national carbon emission market has been further accelerated.

5. Challenges to the Development of Green Finance under the Dual Carbon Goals

With the goal of carbon peaking and carbon neutrality, according to data from various parties, China's green finance has developed rapidly and achieved remarkable achievements. But at the same time, we need to realize that there are still many problems and new challenges in the development of green finance in China in order to fully realize the requirements of the "dual carbon" target.

5.1. The Standards of the Green Financial System are not Uniform

In recent years, although China's green finance has achieved great development and the formulation of green finance standards has been continuously improved, the specific definition standards in practice have not been unified. Due to the top-down top-down design, documents are issued layer by layer. Different departments in different provinces and regions have different requirements based on relevant documents. There are different green financial standard documents for the same green financial product. The regulations and measurement calibers are inconsistent. , for different green financial products and different green financial standards, the caliber of regulations is not the same. In addition, the development of green finance in China still has problems such as the generalization of standard research concepts, and there is a big discrepancy between green finance standards and international social standards.

5.2. Green Financial Products and Services are Single

China has made remarkable achievements in green credit and green bonds, but it should be noted that the structure of green financial products is simple, mainly traditional green financial products represented by green credit, the supply of diversified products is insufficient, the targeting is not strong, and the coverage It is not wide enough to meet the diversified needs of realizing enterprise transformation and upgrading. In addition, the green financial business service model is single, the main business is limited to credit business, and the financing structure is mainly indirect financing, while the green industry project has a long cycle, high cost, large capital gap, and it is difficult to meet the financing needs. At the same time, China lacks high-quality green finance professionals, and there are relatively few professional service institutions related to green finance, which is not conducive to promoting the green transformation and upgrading of the industry.

5.3. Increased Risks of Climate and Environmental Transition

The main purpose of the "dual carbon" goal is to address global climate change. Green finance is an economic activity that supports improving the environment, addressing climate change and saving resources, and is greatly affected by climate and the environment. The extreme weather and natural disaster events brought about by climate change, such as floods, droughts, sea level rise and other meteorological disasters, are highly destructive, which will have an impact on many fields, cause the loss of corporate capital and income to a certain extent, and exacerbate market fluctuations. Undermine the stability of the financial sector, thereby creating financial risks. In addition, the uncertainty brought about by the green and low-carbon transition will also lead to financial risks, such as coal, oil and other fossil energy fuels, and other high-carbon enterprises face disposal risks. The company's business is interrupted and

its income is reduced, which will bring financing costs. This will directly impact relevant financial institutions and bring systemic financial risks.

5.4. Information Disclosure and Supervision Need to be Strengthened Urgently

China's green financial information disclosure and supervision system is not perfect, and the disclosure standards are not perfect. Although China has always clearly stipulated that relevant enterprises and government departments should disclose information on green industries, the problem of information asymmetry is still serious in the actual development process of green finance. Enterprises have not fully self-published real economic data, especially high-polluting enterprises. The government has only one-sided understanding of the specific information of green enterprises. The relevant regulations formulated by the resource and environmental department have vague requirements on carbon emissions, and most of them are qualitative requirements. , the specific data such as carbon dioxide emissions of a large number of high-polluting and high-energy-consuming enterprises cannot be obtained, which greatly affects the development effect of green finance. At the same time, financial institutions have no relevant channels to provide environmental data and reflect the situation, and the development of green finance business has not been reported to relevant departments in a timely manner. Although the People's Bank of China, the Ministry of Ecology and Environment, and the China Securities Regulatory Commission require more information disclosure and supervision on green finance, most of them only serve as instructions and lack binding force.

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