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The Development of Green Finance Contributes to the Realization of the "Dual Carbon" Goal

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Abstract

In the second half of 2021 work conference, the People's Bank of China proposed to coordinate and accelerate the improvement of the green financial system. Green finance has become an important support means to promote carbon peaking and carbon neutrality, and it has become an important direction for the future development of China's financial industry. Therefore, how to help achieve the goal of double talk through the development of green finance is an important issue at present.

Keywords

Green Finance; "Dual Carbon" Goal.

1. The Relationship between Green Finance and the "Dual Carbon" Goal

Although China's green finance started later than developed countries in the West, it has already achieved considerable development and considerable performance. At present, China has formed a multi-level green financial product and market system, and green credit and green bonds have developed rapidly. According to public information, as of the end of 2020, China's green loan balance was nearly 12 trillion yuan, ranking first in the world in terms of stock size[1]. The stock of green bonds reached 813.2 billion yuan, ranking second in the world. At the same time, green insurance has also been greatly developed. The proposal of carbon peaking and carbon neutrality goals provides a great space for the development of green finance. Green finance will promote the realization of carbon peaking and carbon neutrality goals from multiple perspectives, such as serving the real economy and guiding green technology and industrial development[2].

1.1. Green Finance and “Dual Carbon” Development Goals are Consistent and Mutually Reinforcing

What is green finance? Different organizations have different definitions. The People's Bank of China pointed out in the "Guiding Opinions on Building a Green Financial System" that green finance refers to economic activities that support environmental improvement, address climate change, and save resources and use resources efficiently. , clean energy, green transportation, green construction and other fields of project investment and financing, project operation, risk management and other financial services provided. It can be seen that the core goal of green finance is completely consistent with the "dual carbon" goal, and the achievement of green finance's investment, financing and risk management goals is the promotion of the "dual carbon" goal[3].

A study by the Green Finance Professional Committee of the China Society for Finance and Banking shows that under the background of carbon neutrality, China will generate 487 trillion yuan of green energy in the fields of clean energy, green buildings, green transportation, low-carbon industry, environmental protection and forestry in the next 30 years. Low-carbon investment needs. Therefore, the clear proposal of the "dual carbon" goal provides an unprecedented development opportunity for green finance[4].

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1.2. Two Ways for Green Finance to Support the Realization of the "Dual Carbon" Goal

One is to meet the endogenous financing needs of the low-carbon development of the real economy. China is an industrial power with the world's largest production capacity of traditional industries[5]. At present, most traditional enterprises do not meet the requirements of green development, including the power and energy industries. Therefore, it is necessary to promote the transformation and upgrading of traditional industries through scientific and technological forces, and promote the green and low-carbon transformation of traditional industries, resulting in a large number of green financial needs for transformation and upgrading. This type of financial demand arises from an original driving force for the development and internal changes of the real economy itself. If the financial industry wants to meet this type of financing needs, it only needs to tilt this type of projects under the premise of self-interest orientation, and meet the needs of the real economy in terms of duration, structure, and quota[6].

Another form of support is investment in clean energy, green transportation, green buildings, low-carbon industry, environmental protection and forestry, especially in the development of green new technologies, which aims to guide the economy to a green development path. Investment in this area needs to follow the market orientation, and is often not competitive in terms of risk-return matching, which requires certain support from the state in the fields of finance and taxation.

2. Challenges Facing China's Green Finance Development

Compared with green finance in developed countries, although China's green finance is developing extremely fast, it still has some shortcomings and faces several challenges[7].

2.1. Scale and Structure do not Meet Demand

In terms of scale, China's green loans currently rank first in the world, and green bonds rank second in the world, but they are far from the capital needs for the green transformation and upgrading of China's real economy and the development of green technology. Compared with the mismatch of scale, the more serious is the mismatch of structure. In terms of funding sources, China's green credit currently accounts for 90%, green bonds only 7%, green equity investment only 3%, and green insurance is even more backward[8]. The simplification of green financing tools cannot meet the needs of large enterprises such as energy companies for green transformation and technology development. Green investment is inhibited by the simplification of products, which restricts green finance's support for the "dual carbon" goal. From the perspective of capital investment, electricity and green buildings have particularly strict requirements for green finance, but at present, green finance is more invested in green transportation. The use and investment of green financial funds do not match the demand for green financial funds. Of course, the mismatch of capital investment and structural deviation of capital sources is actually a problem.

2.2. Green Finance Norms and Standards are not Uniform

At present, there are mainly two types of international green finance taxonomy: one is market-led and developed by international organizations, such as the Green Bond Principles issued by the International Capital Markets Association and the Climate Bonds Standard issued by the Climate Bonds Organization; One is the standards implemented by countries or regions, such as the EU's "EU Sustainable Finance Classification Scheme", China's "Green Bond Support Project Targets (2021 Edition)" and so on. There are certain differences between China's green finance rules and implementation rules and international standards. Taking green bonds as an

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example, one is that China defines green bonds broadly, and the other is that the proportion of Chinese capital invested in green industries is lower than international standards.

From the definition of green bonds, China has a relatively broad definition of green bonds. It adopts the internationally accepted principle of "no major damage" and defines green projects from multiple perspectives such as environmental protection and resource conservation. The funds raised are invested in such projects. For green bonds, international green standards focus more on projects that significantly dampen climate change. From the perspective of the covered industries, the use of foreign certified land and marine resources is not currently in China's green bond support list, while China has special support in green agriculture and other fields, but it is not necessarily recognized internationally. In addition, China's regulations on green technology standards are also different from international standards. China's green technology standard requirements are compared with the same industry without setting specific requirements. The above definition, which is relatively broad and inconsistent with international standards, makes China subject to certain constraints when raising international green funds.

Even in China, the standards for green finance are not completely uniform. For example, coal and other fossil energy clean utilization projects have been deleted from the "Green Bond Support Project Catalogue (2021 Edition)", but are still included in the "Green Industry Guidance Catalogue (2019 Edition)" project. Even for the same financial product, such as green credit, different regulatory authorities have different standards for it. For example, nuclear power belongs to the green scope in the “Green Industry Guidance Catalogue (2019 Edition)” of the National Development and Reform Commission and the special statistical system for green loans formulated by the People’s Bank of China, but it does not belong to the green scope in the green financing statistical system of the China Banking and Insurance Regulatory Commission. . Also, there is no uniform standard when it comes to green equity.

From the perspective of the proportion of investment in green industries, international practice requires that at least 95% of the funds raised by green bonds should be invested in green assets or green projects. Chinese regulations require that no more than 50% of the funds raised by corporate bonds can be used to repay green loans and supplement working capital. , corporate bonds require more than 70% investment in green projects, and short-term financing bills require 100% investment in green industries. Therefore, the proportion of China's green bond financing into green industries is significantly lower than the international average.

2.3. The Information Disclosure Mechanism is Relatively Sound, and the Third-Party Evaluation System has not been Established

At present, China's green credit information disclosure mechanism is relatively sound. In 2018, the People's Bank of China increased the frequency of evaluation of green loans, and as an external evaluator, the People's Bank of China incorporated the evaluation results into the macro-prudential assessment criteria. In addition, ESG investment standards are also being formed. ESG investment standards are actually an indicator system. There are 22 secondary indicators from three dimensions of environment, society and corporate governance. There are more than 100 indicators at the bottom, which together constitute ESG investment standards. . For ordinary bonds, China currently has higher requirements on the frequency of green bond information disclosure, but the specific content is relatively simple compared with international requirements, which leads to the "greenwashing" behavior of some non-green projects.

In addition, the Green Bond Principles encourage the use of external certification in the form of "second opinions", audits, and third-party certification. Currently, China does not require this, so a domestic third-party certification system has not yet been established. Although there are more than ten certification agencies in China, including the Climate and Energy Finance

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Research Center of the Central University of Finance and Economics, the evaluation and certification of green bonds, including certification process, evaluation content, certification form, etc., have not yet formed a unified domestic standard.

3. Institutional Construction Promotes the Development of Green Finance and Achieves the "Dual Carbon" Goal

General Secretary Xi Jinping put forward the requirements for promoting the cooperation of the "Belt and Road" with the goal of "high standards, sustainability, and people's livelihood" at the third "Belt and Road" construction symposium. In fact, this is also a requirement for the development of green finance. As far as green finance is concerned, the author believes that “high standard” means that green finance should aim at adhering to green economy, green development and supporting the achievement of the “dual carbon” goal; “sustainability” means that the green finance market should form a virtuous circle of the market. , pay attention to the balance between benefits and risks, not blindly increase technical goals, and require the realization of the "dual carbon" goal too quickly; "benefiting people's livelihood" means that in the market cycle, the achievement of green finance and "dual carbon" goals should be the premise. , to improve the quality of life and sense of achievement of residents. Compared with the above-mentioned shortcomings of China's green finance, China should take institutional building as the starting point, coordinate the forces of the government and market players, and jointly realize the task of promoting the "dual carbon" goal of green finance.

3.1. Constrained by the "Dual Carbon" Goal, Formulate Unified Green Finance Standards

As mentioned above, the current Chinese green finance standards are not consistent with international standards, nor are they different from domestic standards. To be based on China's national conditions, international standards can be used as a reference. China should jointly tackle key problems with the People's Bank of China, the National Development and Reform Commission and other departments, and take carbon peaking as the first stage standard and carbon neutrality as the second stage standard. On the premise that the standard does not unduly affect other sustainable development goals, the two-stage "dual carbon" standard is used as the constraint to formulate China's unified two-stage green finance standard. Revise the current green credit, green industry catalogue, etc., establish green insurance and green fund standards, clearly state the environmental and climate goals anchored by the new standards, specify specific plans for implementing the "no major damage" principle, and label clear technologies as much as possible Indicators and thresholds, etc.

3.2. Improve the National Carbon Trading Market and Promote a Virtuous Circle of Green Finance and Carbon Trading

On July 16, 2021, the national carbon emissions trading market opened. The author believes that the formulation of current trading carbon emission indicators has not fully considered a variety of factors. In the formulation of carbon emission indicators, historically large emitters and economically developed areas are more dominant, and less developed areas, rural areas, and environmental protection areas are more important. Insufficient consideration of interests. The relationship between history and reality, fairness and efficiency, rural and urban, and east and west should be comprehensively considered when formulating total carbon emissions and quotas, so that carbon trading can assume more functions of green, sustainable and balanced national development. At the same time, financial institutions should develop more carbon financial tools as much as possible, improve and expand the carbon trading market, so that green finance can be fully developed by promoting the development of the carbon market and expanding the scale of carbon trading, and promoting carbon trading and expanding the scale of the carbon trading market. It promotes the realization of transfer payments mediated by carbon emission rights, promotes economic development in underdeveloped areas, and improves the living standards and sense of gain of local people.

3.3. Unify Information Disclosure Standards, Force the Introduction of Third-Party Assessment Requirements, and Establish Preferential Policies for Green Finance

In the context of the "dual carbon" goal, a unified green standard should be formulated, and green loans, green bond issuance, etc. should be required to fully disclose the types of green industry projects invested, screening criteria, decision-making procedures, expected environmental benefits, and plans for the use of funds. Listed companies and non-listed companies formulate unified green project information disclosure requirements, and compel bond-issuing companies to disclose environmental information. At the same time, under the guidance of relevant departments, the system of third-party certification bodies should be improved, the implementation standards and implementation procedures should be unified, and third-party assessment agencies should be established and introduced. On this basis, it is mandatory to conduct third-party certification of green financing instruments, issue an independent "green certification report", and conduct supervision, evaluation and information disclosure of capital flow and environmental benefits. Of course, the implementation of these regulations will inevitably increase the cost of green finance. Therefore, the government needs to formulate corresponding green finance financial support and preferential tax policies, such as tax reduction, exemption or discount for green bonds, price subsidies for renewable energy projects, and green The issuance of bonds provides credit enhancement support, etc.

3.4. Cultivate Market Players and Encourage Multi-Party Participation

The cultivation of market players includes investor education and consumer education. For investors, their sense of social responsibility and awareness of energy conservation and emission reduction should be cultivated, and green factors should be comprehensively included when investigating investment projects. General companies, including listed companies, non-listed companies, and companies listed on the Science and Technology Innovation Board, should also fulfill their social responsibilities for green emission reduction. make disclosures. For consumers, they should also cultivate their awareness of green emission reduction, so that they are willing to pay higher costs in the consumption of green emission reduction products.

For green financial products, multiple parties should be encouraged to actively participate in investment. At present, the investors of green bonds are mostly unincorporated institutional investors, and only banks are the main force among financial institutions. Exchanges can be encouraged to develop green bond indices, establish and improve green company sections, expand the influence of green companies in the capital market, and at the same time encourage securities institutions and fund companies to explore and establish green investment alliances. In addition to developing various green insurance products to deal with disasters such as extreme climate change, the insurance industry can invest funds in green bonds because the long-term and relatively stable characteristics of green bonds are in line with the characteristics of insurance funds.

After clarifying the problems existing in China's green finance, combined with the strategic goals of carbon peaking and carbon neutrality, the government should formulate feasible green finance standards under the constraints of the "dual-carbon" goal at the national level, and formulate a carbon Total emissions and allowance scheme. Improve the national unified carbon trading market, promote the formation of a virtuous circle of green finance and carbon trading, formulate green financial information disclosure mechanisms, preferential subsidy policies, cultivate market players, and attract multi-party participation. Green finance in China will be

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favored by all investors and develop rapidly, and the goals of carbon peaking and carbon neutrality will also be successfully achieved with the support of green finance..

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