

# CHINA GREEN BOND MARKET Newsletter

## 中国绿色债券市场简报

JULY-SEPTEMBER 2016 ISSUE 1 2016年7月-9月 总第1期

### News and Events

#### The world's first Climate-Aligned Bond Index launched in Beijing

China Central Depository & Clearing Co. Ltd has partnered with Climate Bonds Initiative and China Energy Conservation and Environmental Protection Consulting Co. Ltd launched the ChinaBond China Climate-Aligned Bond Index. This identifies a broad range of fixed income investments which support low carbon and climate resilient infrastructure, including green bonds. The Index is made up of 210 constituents and has a total market value of 1.33 trillion RMB. [Find out more/ Download the methodology/ 下载方法论](#)

#### UK-China Collaboration - Growing a Global Green Bond Market report launched in London

Climate Bonds Initiative and the UK Department of International Trade (DIT) launched the UK-China Collaboration on Growing a Global Green Bond Market report at the Green Finance Media Roundtable held by the City of London in mid September. Published in both English and Chinese, the report recommends actions for UK-China collaboration to lead development of global green bond markets. [Find out more/ Download report/ 中文报告](#)

#### Green bonds get a boost in the G20 Communique

Reflecting both China's influence as this year's G20 Chair and the growing importance of green finance amongst major economies following COP21, the Hangzhou Communique builds on the Synthesis Report issued by the Green Finance Study Group (GFSG). This is the first time green bonds have been directly referenced in a Leaders' Communique. [Find out more/ Download report/ 中文报告](#)

#### Chinese version of State of the Market 2016 Report launched in Shanghai

Climate Bonds Initiative launched the Chinese Version of its 5th annual report 'Bonds and Climate Change: State of the Market in 2016' in Shanghai during August. The reports reveals that China is the largest country of issuance in the climate aligned universe. [Find out more/ Download report/ 中文报告](#)

#### Shanghai Stock Exchange and CECEP to improve local green bond listing rules

On 28th September, China Energy Conservation & Environmental Protection Group (CECEP) signed a strategic agreement with the Shanghai Stock Exchange, strengthening their cooperation in establishing and improving the standards and rules for listing green bonds. [Find out more](#)

### At a glance

Total Q3 Chinese Issuance:

**USD 11.3 billion/RMB 75.5 billion**

Issuance that meets international definitions:

**USD 6.7 billion/RMB 44.5 billion**

Largest issuer: **Bank of China**

Largest issuing sector: **Multi-sector**

### Policy Update

#### China 'Green Finance Mechanism' announcement

The People's Bank of China and six other central agencies jointly issued "Guidelines for Establishing the Green Financial System" in late August, just prior to the G20 Hangzhou Summit.

The Guidelines spell out the important role of the securities market in financing green investment, unify the domestic green bond standards, support qualified green companies to raise funds, support the development of green bond indices, green equity indices and related products; and require a gradual establishment of a mandatory environmental information disclosure system for listed companies and bond issuers. [Find out more/ 中文指引](#)

### Q3 Chinese Green Bonds Issuance

ISSUER	MARKET	DATE	AMOUNT ISSUED	VERIFIER	RATING AGENCY	RATING	USE OF PROCEEDS*
China Datang Renewables	Shanghai Stock Exchange	26 Sep	CNY 500 million	EY	Golden Credit Rating	AAA	Energy
Wuhan Metro	China Interbank	22 Sep	CNY 2 billion	China Credit Rating Co., Ltd.	CCXI	AAA	Transport
China Energy Conservation and Environmental Protection Group	Shanghai Stock Exchange	16 Aug 22 Sep	CNY 3 billion	EY and CECEP	Dagong	AAA	Multi
Beijing Enterprise Water Group (China) Investment Limited	Shanghai Stock Exchange	12 Sep	CNY 2.8 billion	SynTao Green Finance	SBCR	AAA	Adaptation
Xinjiang Goldwind	China Interbank	05 Sep	CNY 500 million	DNV-GL	CCXI	AAA	Energy
China Three Gorges	Shanghai Stock Exchange	26 Aug	CNY 6 billion	EY	CCXI	AAA	Energy (Hydro)*
Beijing Enterprise Water Group	Shanghai Stock Exchange	23 Aug	CNY 700 million	SynTao Green Finance	SBCR	AAA	Adaptation
Bank of Jiangxi	China Interbank	18 July 4 Aug	CNY 5 billion	EY	Lianhe	AA+	Multi (inc.Clean Coal)*
Shanghai Pudong Development Bank	China Interbank	14 Jul	CNY 15 billion	EY	SBCR	AAA	Multi
Industrial Bank	China Interbank	14 Jul	CNY 20 billion	Climate and Energy Finance Research Center at CUFU; Zhongcai Chuanglv	SBCR	AAA	Multi (inc.Clean Coal)*
Bank of China	Luxembourg Stock Exchange/ Hong Kong Stock Exchange	05 Jul	USD 3 billion	EY	Fitch/Moody's	A/A1	Multi

\* CBI Taxonomy exclude clean coal projects, although it is permissible under the China Green Bond Endorsed Project Catalogue. Also, large hydropower projects are currently excluded due to issues of reservoir emissions and other social and environmental impacts. There may be scope to include these in the future but more research will be required.

## Comment: Why hydro bonds are often controversial?

Recently, there has been discussion amongst international investors around large scale hydro projects.

Hydroelectricity has several advantages - including a high level of reliability and efficiency, proven technology, low operating costs and can provide baseload and standby power. Some reservoirs provide multiple benefits, including water storage and flood control. Hydropower generation produces little waste, doesn't contribute to air quality problems and is mostly low carbon.

However, there can be well-known disadvantages, mainly stemming from ecological damage, loss of livelihood and erosion.

We also need to be concerned about the resilience of hydropower assets in the face of changed precipitation and water availability from climate impacts.

There is increasing recognition that artificial reservoirs produce emissions. This can vary greatly - and can change over the life of the reservoir. There has been a suggestion more greenhouse gases are released from reservoirs in the tropics, but recent evidence suggests that this is more nuanced than latitude alone. Depth, rainfall levels and ecosystem productivity are thought to influence emissions and siting, design and operation can also influence intensity (GHGs released per kilowatt-hour).

Smaller hydro under 25MWh are generally

thought to avoid these problems, green bonds issued against them have been accepted by the market, and in green bond indices. But larger hydro has also proven it can be a key low-carbon energy source, subject to addressing the above concerns.

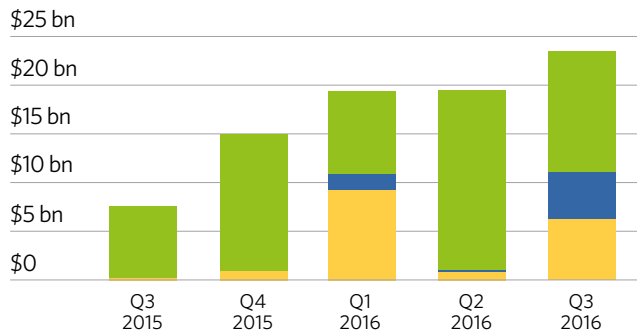
A Technical Working Group including development banks, environmental NGOs and the hydropower industry has been convened by Climate Bonds to draw up rules and define practices that minimise these impacts. You can read more about the progress [here](#).

Existing Chinese hydro bonds contain some assets that fall into these areas of complexity. For this reason, we have been excluding them from our database pending completion of our Technical Working Group process.

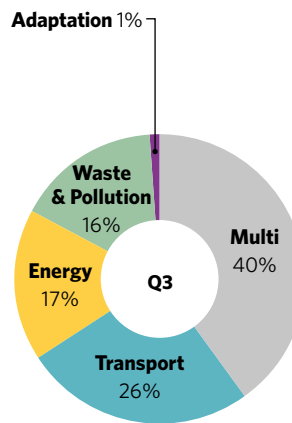
## Market Data

### The growth of Chinese and global green bonds

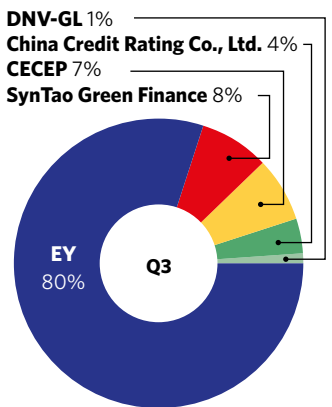
- Non Chinese issuance
- Chinese issuance that only meets PBoC's definition of green
- Chinese issuance that meets both international and PBoC's definition of green



### Allocation of proceeds according to CBI Taxonomy

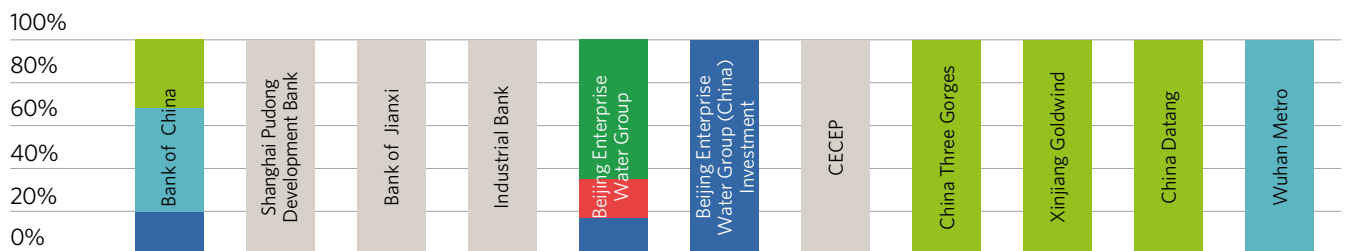


### Second party reviews of Chinese green bonds that meet international definitions of green



### Individual issuer's allocation of proceeds according to PBoC's Green Bond Endorsed Project Catalogue

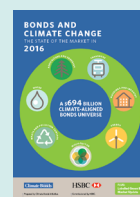
- Energy Saving
- Resource Conservation and Recycling
- Clean Energy
- Multi
- Pollution Prevention and Control
- Clean Transportation
- Ecological Protection and Climate Change Adaptation
- Refinancing



## Latest Reports



**UK - China Collaboration on Growing a Global Green Bond Market** report was prepared by Climate Bonds Initiative and the International Institute for Sustainable Development (IISD), together with the UK Department of International Trade. [Download English report/下载中文报告](#)



**Bonds and Climate Change: State of the Market in 2016** is the 5th annual review by Climate Bonds of global green bond developments. [Download English report/下载中文报告](#)

Follow us



This newsletter is also available in Chinese

您也可获取本季报中文版

**Disclaimer:** The information contained in this newsletter does not constitute investment advice and the Climate Bonds Initiative is not an investment adviser. Links to external websites are for information purposes only. The Climate Bonds Initiative accepts no responsibility for content on external websites. The Climate Bonds Initiative is not advising on the merits or otherwise of any investment. A decision to invest in anything is solely yours. The Climate Bonds Initiative accepts no liability of any kind for investments any individual or organization makes, nor for investments made by third parties on behalf of an individual or organization.