

CHINA GREEN BOND MARKET Newsletter

中国绿色债券市场季报

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News and Events 新闻与活动

2nd Annual Green Bond Awards

In March, Climate Bonds, in partnership with the City of London and the [Green Finance Initiative](#), held the 2017 Green Bond Awards at the Guildhall. The [Awards](#) (and certificates) recognise leading organisations, financial institutions and governments, who have been pioneers in the development of green finance and the green bonds market in the past year.

Chinese Award-winners

- Largest Single Green Bond – Bank of Communications
- Largest Overall Issuer – Shanghai Pudong Development Bank
- Innovative Regulator – People's Bank of China

Chinese Certificate-winners

- The First Chinese Policy Bank Green Bond Issuer – Export-Import Bank of China
- Structured: First Dual Recourse Bond in China – Bank of China
- Certifications, Indices: First Unlabelled Green Bond Index – China Central Depository & Clearing Co.
- Market Infrastructure: Pioneer Listing Rules – Shanghai Stock Exchange

Bond Index

On 20th March, Luxembourg Stock Exchange (LuxSE) and Shenzhen Stock Exchange (SZSE) jointly launched the [China Green Bond Index Series](#) with the Central University of Finance and Economics (CUFE). The index series will be displayed on both LuxSE and SZSE and will act as a market benchmark for the increasingly mainstream green bond market in China. The index series consists of three indices covering both labelled and unlabelled green bonds. The annualised return of the High Grade Green Bond Index since 2012 is 5.37%, the average remaining maturity of the latest index samples is 4.78 years, and the coupon rate is 4.4%. Read more [here](#).

PBoC and EIB announce a joint initiative to promote green finance

On 22nd March, The People's Bank of China (PBoC) and the European Investment Bank (EIB) launched a [joint initiative](#) to develop a clear framework for analysis and decision-making in green finance. By developing a common language on green investment and improving the consistency of green finance definitions, the initiative aims to help both Chinese and international investors make decisions and enhance investors confidence in green finance.

At a Glance

Total Q1 Chinese Issuance:
USD 2.47bn / RMB16.94bn

Issuance that meet international definition:

USD 967m/RMB 6.6bn

Largest issuer: **Chongqing Longhu**

Largest issuing sector: **Energy and Transport**

Total Q1 Approved:
USD 3.34 bn/RMB22.32bn

PBoC presents China's experience on green finance & green bonds to LATAM delegations

A delegation led by the InterAmerican Development Bank [visited](#) the People's Bank of China in late March, seeking China's experience in developing a green bond market and green finance. Dr. Ma Jun, Chief Economist of PBoC Research Bureau, introduced China's approach to green finance, and discussed how it has been dealing with challenges that have arisen. Sean Kidney, CEO of the Climate Bonds Initiative, provided an update on global green bond markets and practice.

Policy Update

China's new green bond guidelines published by CSRC on 2nd March

[China Securities Regulatory Commission \(CSRC\)](#) has published new guidelines to support the issuance of green bonds. As the main regulator supervising China's securities market, CSRC oversees the issuing, trading, custody and settlement of equity shares, bonds, and investment funds, etc.

With the PBoC's guidelines regulating green bonds issued by financial institutions and NDRC's guidelines targeting green bonds issued by non-listed corporates, the CSRC's new guidelines will apply to all type of green bonds issued by any type of entities in China. The [guidelines](#) adopt PBoC's definitions on eligible projects and encourage

financial institutions including brokerages, fund management companies and banks, to invest in green bonds and encourage Shanghai and Shenzhen stock exchanges to build up dedicated green bond lists, indices and other instruments to facilitate investment.

Green Finance and Ecological Protection written into 2017 Government Work Report

China's Prime Minister Li Keqiang presented the [2017 Government Work Report](#) at 12th National People's Congress, where he stressed that the Xi administration will continue to make major efforts to develop green finance. Meanwhile, the government has promised to contribute to biodiversity conservation and marine protection. It will do so by reforming ecological protection, improving the main functional zone and ecological

compensation mechanism, establishing a resource/environment monitoring and alert mechanism and launching pilot projects to improve the national natural resource/asset management system, etc.

[The Government Work Report](#) works as a check list showing the government's work in previous year and plans for the next to meet the goals of each Five-year Plan. Even a small mention can signal a significant development. This year's report on the government's commitments to green finance and environmental protection, identifies opportunities that green bonds market in China could be further enhanced to direct capital flow into green assets and achieve the government's environmental aims.

Green Bond Discussion

What is a Green ABS?

On 30th March, Guiyang Transportation Company was approved to issue a green asset-backed security (ABS) for RMB 2.65bn (USD 390m). With this coming to market in the next few months, total green ABS issuance in China will increase to RMB 9.93bn (USD 1.4bn).

This also includes:

- Wuxi Communications Industry Group: RMB 1.98bn (USD 290m)
- Xinjiang Goldwind: RMB 1.3bn (USD 190m)
- Gezhouba Group: RMB 800m (USD 120m)
- Industrial Bank: RMB 2.6bn (USD 212m).

ABS are bonds or notes backed by a pool of underlying small and liquid assets. On their own, these assets are too small to gain access to the bond market, but can be aggregated into larger pools to access institutional investor capital. For green ABS, the underlying assets could be receivables of loans (e.g. electric vehicle leases) or cash flows from small-scale low carbon projects. As an example, Goldwind bundled receivables of 5 wind farms in the next 5 years as assets for its green ABS issuance.

The process of pooling these small assets into larger financial instruments allows them to be sold in the bond market to institutional investors.

During this process, a loan originator bundles its cash-producing assets and sells them to a special purpose vehicle (SPV) that issues the ABS.

The asset-backed securities are only backed the underlying asset pool and not by the balance sheet of the issuer, meaning the SPV is protected from potential bankruptcy claims on the issuing entity. Normally, the larger the asset pool, the more risk diversification.¹

Click [here](#) to download CBI's research on Green Securitisation.

1. <https://energy.mit.edu/wp-content/uploads/2016/07/MITEL-WP-2016-05.pdf>

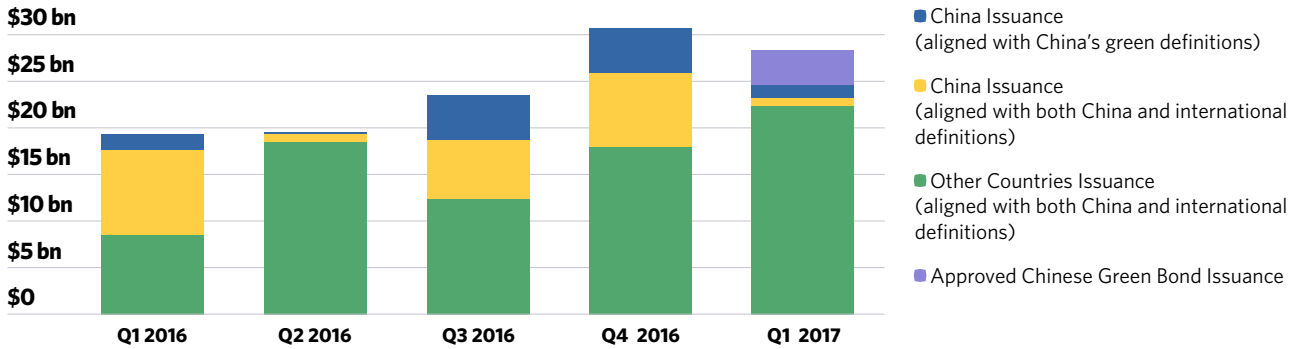
Q1 Chinese Green Bonds Issuance

ISSUER	MARKET	DATE	ISSUED AMOUNT**	SECOND REVIEWER	RATING AGENCY	RATING	USE OF PROCEEDS*
Hebei Financial Leasing	China Interbank	23/01/2017	100m	EY	Chengxin Rating	AA+	Energy & Transport
Huarong Financial Lease	China Interbank	15/02/2017	1bn	EY	Chengxin Rating	AAA	Mixed
	China Interbank	15/02/2017	1bn	EY	Chengxin Rating	AAA	Mixed
Chongqing Longhu	China Interbank	17/02/2017	1.6bn	None	SBCR	AAA	Low carbon buildings*
	China Interbank	17/02/2017	1.44bn	None	SBCR	AAA	Low carbon building*
	China Interbank	07/03/2017	1bn	None	SBCR	AAA	Low carbon buildings*
Wuhai Bank	China Interbank	21/02/2017	500m	China Credit Rating	Chengxin Rating	AA-	Mixed*
China Development Bank	China Interbank	23/02/2017	5bn	PWC	None	None	Mixed*
Agricultural Development Bank	China Interbank	27/02/2017	4bn	CECEP	NONE	None	Adaptation
Dongjiang Environment	Shenzhen Stock Exchange	10/03/2017	600m	None	Chengxin Rating	AA	Mixed*
Nantong Economics and Technological Development Zone Co.	China Interbank Private Placement	22/03/2017	300m	None	None	None	Not available

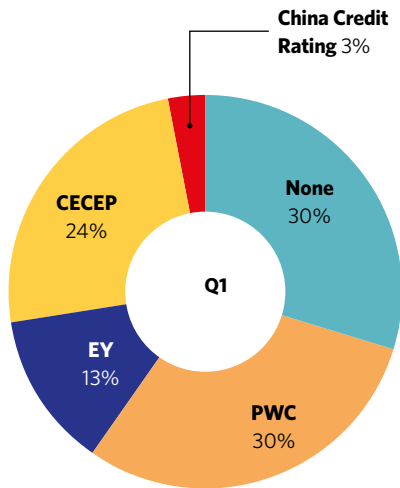
* The CBI Taxonomy excludes clean coal projects, although they are eligible under the China Green Bond Endorsed Project Catalogue. Also, large hydropower projects are currently excluded from our taxonomy due to issues of reservoir emissions and other social and environmental impacts. There may be scope to include these in the future but more research will be required from our recently convened technical working group.
 ** In RMB unless otherwise specified.

Market Data 市场数据

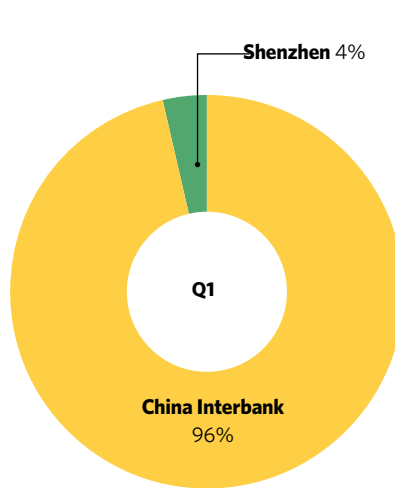
The growth of Chinese and global green bonds



Second party reviews of all Chinese green bonds



Chinese green bonds issuance in different markets

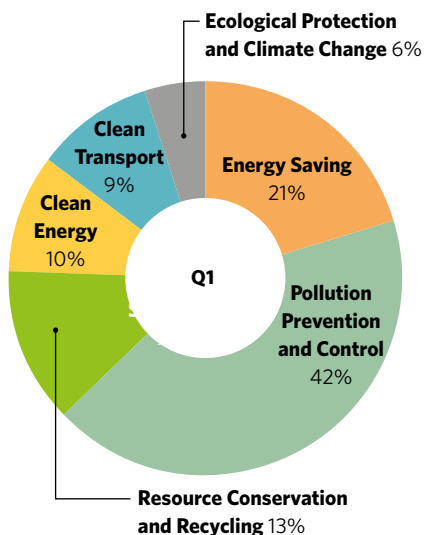


Q1 Underwriters breakdown

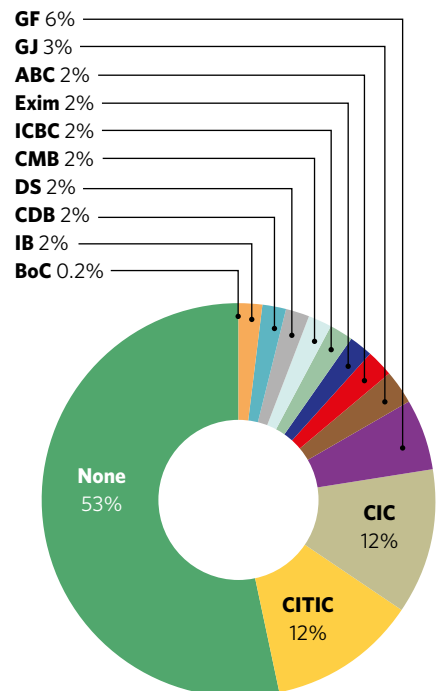
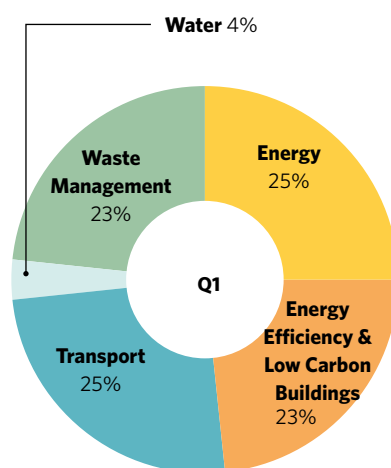
Abbreviations

- ABC: Agricultural Bank of China
- BOC: Bank of China
- CDB: China Development Bank
- CIC: China International Capital
- CITIC: CITIC Securities
- CMB: China Merchant Bank
- DS: Donghai Securitie
- EXIM: Export-Import Bank of China
- GF: Guangfa Securities
- GJ: Guotai Junan Securities
- IB: Industrial Bank
- ICBC: Industrial and Commercial Bank of China

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



Allocation of proceeds according to CBI Taxonomy



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



Chinese Green Bonds Approved in Q1

ENTITY BEING APPROVED TO ISSUE GREEN BONDS	AMOUNT APPROVED	DATE APPROVED	REGULATORY AUTHORITY*
GCL-POLY Holdings	1.75bn	N/A	SZSE
CECEP WIND POWER	1bn	03/01/2017	CSRC
State Grid Energy Development	1bn	06/01/2017	N/A
Liuyang Modern Manufacturing Industrial	1.8bn	18/01/2017	NDRC
Wuhan Metro	5bn	25/01/2017	NDRC
Tibet Urban Development and Investment	1.82bn	07/03/2017	NDRC
Kaifeng Development Investment	1.3bn	14/03/2017	NDRC
Bank of Nanjing	5bn	15/03/2017	CBRC,PBOC
Bank of Luoyang	1bn	22/03/2017	PBOC
Guiyang-Pingan Green ABS	2.65bn	31/03/2017	N/A

* Abbreviations: CBRC - China Banking Regulatory Commission; CSRC - China Securities Regulatory Commission; NDRC - National Development and Revolution Commission; PBOC - People's Bank of China; SZSE - Shenzhen Stock Exchange.

Report



Study of China's Local Government Policy Instruments for Green Bonds

Jointly released by SynTao Green Finance and Climate Bonds Initiative at China's Green Finance Committee Annual Conference 2017, this report provides an overview of local government policy instruments for developing the green bond market in China.

It identifies the policy instruments at the disposal of local governments based on central government policy framework, and presents successful and replicable case studies and international experiences as reference for China's future development in promoting green bonds.

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Prepared by the Climate Bonds Initiative Markets Team

Source data from Wind, Bloomberg LLP and other parties. All figures are rounded.

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