

Media Release

China is off to spur the transition debt market

The largest supplier of green bonds in 2022 made significant strides to reach its 30-60 climate goals, but still needs scalability for a whole-economy transition

London/Beijing: 09/06/2023: 09:00 (GMT+1)/16:00 (GMT+8): The Climate Bond Initiative's (Climate Bonds) latest report reveals China was the largest issuer of Green Bonds in 2022. The flagship [China Sustainable Debt State of the Market Report](#) describes the size of the green, social, and sustainable bond markets, plus sustainability-linked bonds (SLBs), and transition bonds, known collectively as the GSS+ bond market up until the end of 2022. This report is co-produced by the Climate Bonds, China Central Depository & Clearing Research Centre (CCDC Research Centre) and CIB Economic Research and Consulting Co., Ltd. (CIB Research), with support from the Standard Chartered Bank.

China Led green issuance in 2022

China was the largest source of green bonds in 2022, according to Climate Bonds definition, with USD85.4bn (RMB575.2bn) recorded in the organisation's Green Bond Database (GBDB) in 2022. However, the contribution of labelled green bonds to China's overall debt market remained small, though it improved to 1.5% in the onshore market in 2022 from 1% in 2021. By the end of 2022, labelled green bond volumes originating from China reached USD489bn (RMB3.3tn) since market inception; those aligned with Climate Bonds definition amounted to USD286.9bn (RMB1.9tn).

Policy will continue to underpin market growth in China

China's 'five pillar' green finance policy framework is expected to spawn further policy measures including more granular and actionable guidelines around standards, disclosure, products, incentives, and international cooperation. Highlights of China's recent policy developments include the release of the *China Green Bond Principles* to further harmonise definitions and practices in the domestic and international green bond markets, marking a collaboration between different ministries to bring a set of clear definitions and standards even as China's bond regulatory supervision remained fragmented.

When it comes to Transition-related debt instrument, the market is still in its infancy, demanding clear policy guidance around standards and incentives to facilitate growth. China's central bank is expected to put forward sector-specific transition finance standards shortly, starting with steel, thermal power, construction materials, and agriculture. It will later be expanded to additional sectors spurred by demand for credible sectoral transition standard.

Transition is key for achieving China's climate objectives

As an economy reliant on carbon-intensive sectors, China still needs to build a credible and scalable transition finance market. The policy and market mechanisms that were successful in kicking off its world-leading scale green bond market can be leveraged to jump start a credible and scalable transition finance market. Following a pilot scheme of SLB issuance in 2021, China began to explore transition bonds for eight heavy industries in 2022. As of the end of 2022, SLBs and transition bonds listed onshore and offshore had reached cumulative volumes of USD19.6bn (RMB131.9bn), 92% of which were SLBs.

Key strategic industry development initiatives from China, such as the country's hydrogen development plan, EV manufacturing and renewable energy capacity expansion will continue to have important implications to the world. GSS+ debt instruments will be an important channel through which to tap into those opportunities.

Sean Kidney – CEO, Climate Bonds Initiative

"China has seen incredible growth in green finance over the past few years, reflecting rapid progress in clean energy, low-carbon transport and other areas. There is a huge amount still to do, especially in the transition of energy and industrial sectors; green and transition bonds will help drive that change."

Jean Lu - Deputy CEO and Head, Client Coverage, Corporate, Commercial and Institutional Banking, China, Standard Chartered

"With China's launch of the dual carbon goals and the continuous refinement of the top-level design for China's green finance system, China's green and sustainable bond market has entered a period of strategic opportunities for rapid development. In 2022, sustainable finance income from Standard Chartered China's corporate business grew by 65% year-on-year, reflecting strong market demand for green and sustainable finance. We hope to continue to work closely with industry organizations, third-party institutions and industry partners to jointly contribute to the rapid development of green and sustainable finance, especially transition finance, and provide financial assistance for Chinese enterprises to achieve their sustainable development goals."

SHI Yi – Deputy General Manager, China Central Depository & Clearing Research Centre (CCDC Research Centre)

"China's green bond market developed rapidly in 2022, with the leading issuance volume in the world. Its role in supporting the real economy became more prominent. China Central Depository & Clearing (CCDC) continued to expand the breadth and depth of its financial infrastructure services for green development, made multiple breakthroughs in green bond services, green collateral management, ESG evaluation systems, and research, supporting the high-quality development of the green bond market."

"In 2022, the CCDC developed the China Bond Green Bond Environmental Benefit Information Disclosure Indicator System and promoted the application of this Indicator System in the financial industry standards and local standards. It also continued to improve the construction of the China Bond Environmental Benefit Database, collecting environmental impact information. This forms a basis to assess the environmental contribution of China's green bonds. Moreover, CCDC also designed transition bond information disclosure indicators for eight industries to promote the high-quality development of the transition bond market."

Lu Zhengwei - Chief Economist of CIB, Vice President of CIB Research

"This is the second year we have collaborated with the Climate Bonds Initiative in producing a report on China's sustainable bond market. We are pleased to see that China's GSS+ bonds achieved tremendous growth and development in 2022, especially with the emergence of bond instruments supporting transition. Though compared with China's huge financing need to address low-carbon transition, the transition-related bond market is still in its infancy. I believe that the market will continue to grow in scale, with the support of standards and guidelines under development."

The full report is available for [download](#) on Climate Bonds website.

Supported by the Standard Chartered Bank, the publication is co-produced by the Climate Bonds Initiative (Climate Bonds), China Central Depository & Clearing Research Centre (CCDC Research Centre) and CIB Economic Research and Consulting Co., Ltd. (CIB Research).

For more information, please contact:

Luiza Mello
Communications Senior Specialist



T: +55 (61) 98209 8126
E: luiza.mello@climatebonds.net

Notes for journalists:

About Climate Bonds Initiative: Climate Bonds Initiative is an international not-for-profit working to mobilise global capital for climate action. Climate Bonds undertakes advocacy and outreach to inform and stimulate the market, provides policy models and government advice, market data and analysis, and administers an international Standard & Certification Scheme for best practice in green bonds issuance. For more information, please visit www.climatebonds.net.

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About the CCDC Research Centre

China Central Depository & Clearing Co., Ltd. (CCDC) formally established the CCDC Research Centre in July 2017. CCDC Research Centre positions itself as a professional think tank and focuses on filling in gaps in professional fields. It conducts in-depth studies on prominent issues related to operations, regulations, and infrastructure construction of bond and related financial markets. It provides results that closely combine theory and practicality and is dedicated to building a CCDC research brand that integrates research, publicity, and other services.

About the CIB Research

CIB Economic Research and Consulting Co., Ltd (CIB Research) is a member institution of the Industrial Bank. It is the first legally independent research company of the banking system in China. It operates in accordance with market-oriented mechanisms and lays out three research blocks around strategy, market, and industry, focusing on the macro market, green finance, financial industry, currencies and commodities, fixed income, and various industrial sectors. It aims to serve the high-quality development of China's economy as its mission and is guided by the five development concepts of innovation, coordination, greenness, openness and sharing. It is committed to integrating professional research into financial practice, contributing to China's economic transformation.

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