

Media Release

Transition Finance in China: new report reveals that trillions of dollars are needed to achieve low-carbon transition

Paper launched by the Climate Bonds Initiative and CECEP Hundred Technical Service (Beijing) Co., Ltd. discusses elements of a credible transition and proposes the definition of a climate transition taxonomy.

London/Beijing: 18/02/2022: 15:00 (GMT+8): The Climate Bonds Initiative and CECEP Hundred Technical Service (Beijing) Co., Ltd. (CECEP), with the support of UK PACT, has today launched the [Transition Finance in China: latest development and future outlook report](#). Taking the Chinese steel sector as a case study, the report reviews the latest development of transition finance in China and discusses recommendations to enable a credible transition.

Challenges for Transition Finance in China

After a review of the definitional underpinning of transition finance, and the progress of research on global transition pathways, the report identifies key opportunities and challenges of advancing transition finance in China:

- The progress in research on transition pathways varies across industries, making it difficult for the market to clearly identify investments that will deliver Paris-aligned objectives.
- Finance will play a pivotal role in funding the required transformation but better coordination between the financial regulators and those that oversee the real economy is needed.
- Lack of credible standards and recognised instruments make it challenging for the high-emitting sectors to access climate financing.

To explore the application of transition finance in greater depth, the report analyses China's steel industry, which is estimated to require RMB20tn (USD3.14tn) investment – or RMB500bn (USD78.5bn) per annum – to achieve carbon neutrality. This translates into an annual investment of RMB500 (USD78.5) per ton of steel.

The existing financing channels are far from adequate to meet this need. The green

and low-carbon transition of China's steel industry urgently needs support from new financial products, mechanisms, and policy guidance.

The report provides several recommendations for the further development of transition finance in China:

- **Investors:** socialise and create a single definition of transition, which should be ambitious, flexible, and inclusive;
- **Regulators and policymakers:** play a leading role in promoting transition finance activities, in terms of policy support, procurement and incentives;
- **Issuers:** set up internal frameworks and prepare issuance in line with currently available transition finance principles and frameworks;
- **Entities:** formulate transition strategies according to the scientific paths, and finance through transition finance products;
- **Market analysts and service providers:** test and use the transition concept to assess real transactions and financial products.

Sean Kidney, CEO, Climate Bonds Initiative:

“Now is the time for the world to tackle the rapid transition of the hard-to-decarbonise sectors, such as steel, cement, petrochemicals and aviation. Practical solutions are available; countries need regulatory action and capital that backs up pathways for change. The Climate Bonds Initiative is drafting rigorous scientific criteria to guide the setting of thresholds and trajectories for these sectors. This represents the continued evolution in the labelling of financial instruments to encourage large-scale investment towards net zero.”

Liao Yuan, General Manager, CECEP Hundred Technical Service (Beijing) Co., Ltd:

“Carbon peaking and carbon neutrality is a systemic project involving economic, social, policy, finance, technology and so on. Setting up transition finance standards that are consistent with the top-level policy design and green low-carbon transition roadmap of various industries is crucial to further deepening and improving the sustainable finance system. It is a huge challenge, while also a great opportunity.”



To download the report, click [here](#).

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Notes for journalists:

About the Climate Bonds Initiative: The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low carbon economy. 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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