From responsive participation to responsible leadership: China’s changing role on green development.

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Outline

- **Green development: China's New Development philosophy**
- **From responsive participation to responsible leadership: greening China's foreign investment and cooperation**
- **Practicing ESG: Enterprises and Financial Institutions**
- **China-Africa green development cooperation: building leadership?**
- **Conclusions**

Green development: China’s New Development philosophy

- Not just commitment
- In 2013, the 18th National Congress of the Communist Party of China give high priority to making ecological progress and incorporate it into all aspects and the whole process of advancing economic, political, cultural, and social progress, and form a five-in-one general layout for building socialism with Chinese characteristics.
- In 2017, the report of 19th CPC Congress emphasize efforts to establish a legal and policy framework that promotes a sound economic structure that facilitates green, low-carbon, and circular development.
- On March 15, 2021, the ninth meeting of the Central Financial and Economic Commission, studied and deployed the basic ideas and major measures to achieve carbon peaking and carbon neutrality.
- "14th Five-Year Plan" defines China has entered a critical period from quantitative to qualitative transformation in which carbon reduction is the key strategic direction, the synergy of pollution reduction and carbon reduction is promoted, the comprehensive green transformation of economic and social development is promoted.
- China is undergoing a transition of development philosophy from “development first, governance later”, to "development and governance at the same time", and then to green-driven development.

From responsive participation to active leadership: greening China’s foreign investment and cooperation

- New development philosophy shapes new global development cooperation
- On February 18, 2013, the Ministry of Commerce and the Ministry of Environmental Protection issued the Environmental Protection Guidelines for Foreign Investment and Cooperation.
- In May 2017, the Ministry of Environmental Protection, the Ministry of Foreign Affairs, the National Development and Reform Commission, and the Ministry of Commerce jointly issued the "Guiding Opinions on Promoting the Green Belt and Road Initiative".
- In 2017, the National Development and Reform Commission issued the Code of Conduct for Private Enterprises Overseas Investment and Operation.
- In 2020, the International Alliance for Green Development of the Belt and Road released the baseline research report on the Green Development Guidelines for Belt and Road Projects.
- On July 16, 2021, the Ministry of Commerce and the Ministry of Ecology and Environment issued the "Guiding Opinions on Green Development of Foreign Investment and Cooperation".
- On January 6, 2022, the Ministry of Ecology and Environment and the Ministry of Commerce issued the "Guidelines for Ecological Environmental Protection of Foreign Investment Cooperation and Construction Projects".
- On March 16, 2022, the National Development and Reform Commission, the Ministry of Foreign Affairs, the Ministry of Ecology and Environment, and the Ministry of Commerce jointly issued the "Opinions on Promoting the Green Development of the Belt and Road Initiative"

Beyond "Host Country Rules"

Source: Christoph Nedopil Wang, GFDC, Fudan University, 2022.

The full lifecycle

- **Early stage:** An enterprise shall carry out an environmental impact assessment according to the laws and regulations of the host country (region), and take reasonable measures to reduce and eliminate the possible adverse effects. If the host country (region) has no requirement for environmental impact assessment, the enterprise may organize the environmental impact **assessment in light of the international prevailing rules and standards or the Chinese standards**.
- **Construction:** Enterprises should reduce the adverse impact of construction on the environment by controlling pollution (e.g., air, water noise, vibration) and reducing greenhouse gas emissions.
- **Operation:** Enterprises should implement an environmental monitoring and management system. Enterprises shall **report ecological and environmental protection compliance information** both in accordance with relevant regulations, but also **strengthen communication** with potentially affected communities and relevant social groups, as well as the public.
- **Decommissioning:** Enterprises shall either in accordance with local laws or based on **international best practices** ensure environmental protection during decommissioning, demolition and closure of overseas projects and investments.

Broader areas

Key sectors of foreign investment guidelines

- Energy sector: renewable energy projects;
- water and hydropower projects;
- petrochemical projects;
- mining projects;
- transportation infrastructure projects

Key areas of Green BRI guidelines

- green infrastructure interconnection;
- green energy cooperation;
- green transportation cooperation;
- green industry cooperation;
- green trade cooperation;
- green finance cooperation;
- green science and technology cooperation

Practicing ESG: Enterprises

- From traditional CSR to ESG
- Green development areas such as renewable energy are one of the important directions for Chinese enterprises to invest, compared with the key areas funded by Chinese financial institutions.
- In 2020, China’s investment in renewable energy in countries along the “Belt and Road” accounted for 57%, surpassing traditional fossil energy for the first time.
- With the continuous development and improvement of green financial instruments in countries along the "Belt and Road", it is expected that the scale of China's equity green investment is expected to further increase.

Positive trend of voluntary ESG reporting in China

- As of mid-2020, 1,021 Chinese A-share companies had published annual ESG reports, up from 371 companies in 2009. 86% of the CSI300 companies (the 300 largest and most liquid A-share stocks) had published reports as of mid-2020, nearly matching the 90% rate among S&P 500 companies.
- Domestic regulators are also helping to drive the momentum for corporate ESG reporting in China. Hong Kong's stock exchange (HKEX) has required listed companies to issue ESG reports since 2016. Market participants expect that regulators will issue new ESG reporting requirements for companies listed in Shanghai and Shenzhen. In February 2021, the China Securities Regulatory Commission (CSRC) issued a market consultation that proposed a revision to investor relations guidelines. It added **ESG information to a list of issues** on which listed companies should update investors.

Beyond the host country principle: the role of green finance

- Green finance will be an important condition for green development.
- According to estimates, the green investment demand of the 117 valid sample countries between 2021 and 2030 will reach US$3.6 trillion, with an average of US$360 billion per year. This gap presents an important need for green financing.
- Financial institutions have greater leverage in guiding and regulating corporate ESG behavior.
- Advocating the application of **Chinese standards** in overseas financing, investment and construction.

China-Africa green development cooperation: building leadership?

- Africa has been valuable for Chinese enterprises to go global.
- Green development cooperation is new growth point for China-African cooperation.
- Between 2007 and 2020, the lion’s share of China’s public sector development funding for infrastructure projects in Africa went to renewable energy: $23.5 billion versus $19 billion for transport, $13.5 billion for fossil fuel projects, and $4.6 billion for telecommunications.
- Recent data released by the China Global Energy Finance Database at Boston University suggests that between 2003 and 2023, Chinese enterprises and financial institutions will have been involved in 67 energy (with installed generation capacity of 26.7GW) projects, and hydro renewable energy projects dominate the new capacity additions.

New opportunities?

- Stop financing and building new overseas coal power projects, but expand investment in Africa in low-emission projects such as photovoltaics, wind energy, energy-saving technologies, high-tech industries, and green and low-carbon industries.
- Promote the upgrading of industrial structure, build smart cities and achieve green, low-carbon, and high-quality development.
- Climate and green finance: increase cooperation with regional **financial institutions** such as the African Development Bank on green finance; **strengthen environmental risk management, improve climate and environmental information disclosure;** carry out green and low-carbon supply chain management;

Conclusions

- China has made great progress in the construction of ESG laws, regulations and systems in domestic context, and is combining Chinese standards with international best practices to guide its overseas investment activities, in this process, Africa will be an important practicing ground.
- How to implant green development philosophy, mechanisms and paradigms into the existing framework of China-Africa cooperation, properly greening the existing traditional projects and expanding the increment at the same time, is a challenging task for both China and Africa, but also opportunity for deepening bilateral cooperation.

China side

- The government’s regulating capability is essential, including optimizing the framework of ESG performance, increasing binding measures and leveraging the roles of financial institutions;
- Chinese development financing institutions should take green development as an opportunity for internationalization, learn from the successful experience of international financial institutions, and improve their ability to guide and regulate financing projects and industry development;
- the overseas enterprises should strengthen ESG training, management and implementation, regularly disclose ESG information in overseas operations, and actively respond to concerns of all parties about their ESG implementation.

Africa side

- It is necessary to strengthen the making of ESG laws and regulations in their own countries,
- enhance the ability to formulate development plans and utilize international investment and financing, and
- balance ESG management and economic development.