

China Sustainability Newsletter

Issue No. 3 | July 2022 - September 2022

EVALUESERVE



Highlights

- China's carbon emission trading market turned **one** on July 16. The country's cumulative trading volume of carbon emission quota had reached **194 million tons**, with a total trading value of **8.49 billion yuan**. In the third quarter of 2022, the closing price of the China carbon market continued to **go sideways** in the range of **CNY 57/ton to CNY 60/ton**.
(→ [Carbon Trading Trend](#))
(→ [Carbon-related News](#))
- Following the national Dual Carbon goal, provinces and cities in China have successively published their own **Implementation Plan for Carbon Peaking**.
(→ [Policy Tracker](#))
- To tackle greenwashing risks, China recently released the new **Green Bond Standards**.
(→ [Regulation & Disclosure News](#))

Part 1

Carbon Trading Trend

Part 2

Policy Tracker

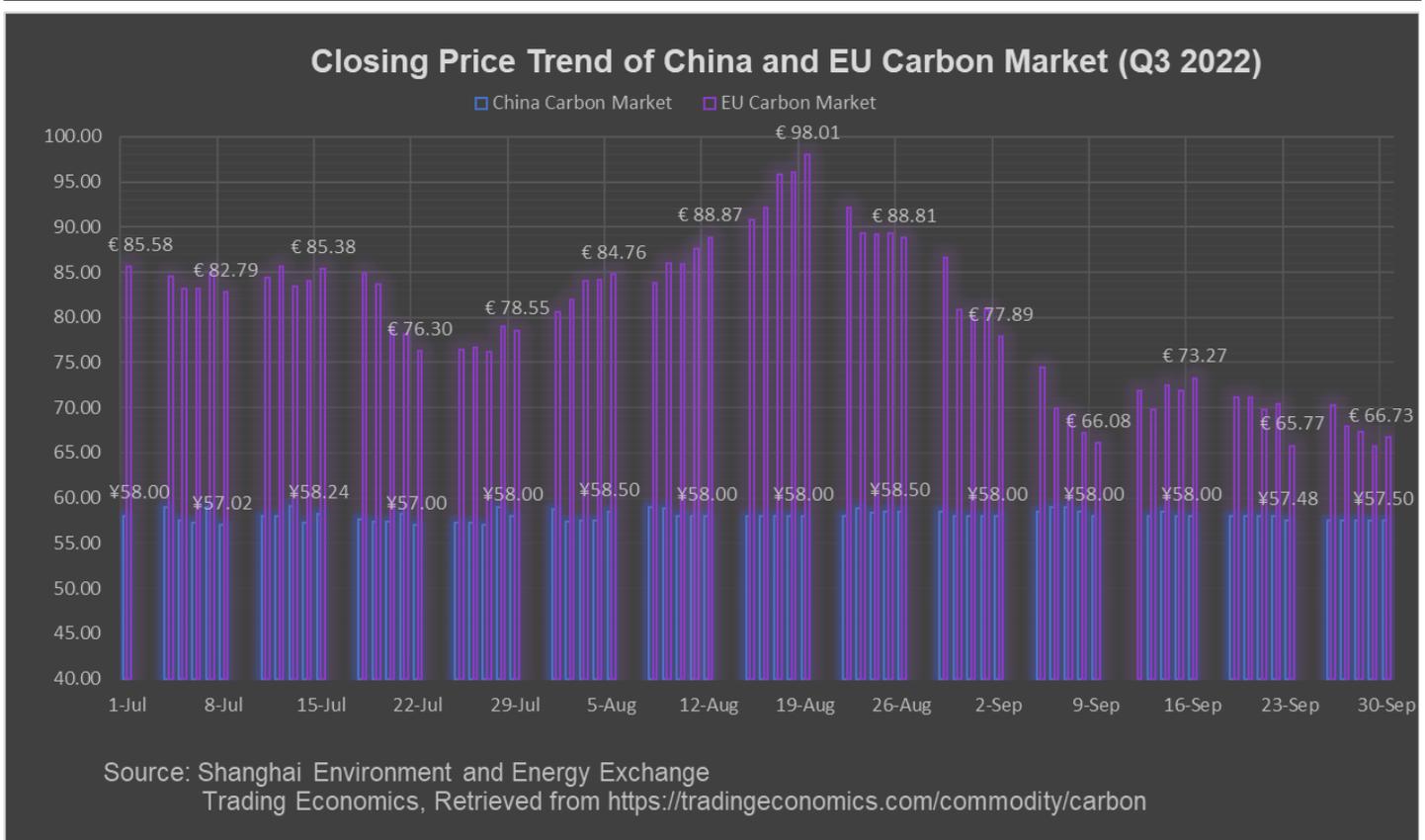
Part 3

News



Carbon Trading Trend

In the last three months, the closing price of the China Carbon Market continued to go sideways in the range of CNY 57/ton to CNY60/ton. The EU Carbon Market, however, is more volatile. After peaking at EUR 98.01/ton on 19th Aug, the closing price continued to fluctuate down to around EUR 66/ton at the end of September.



Note: The chart is generated from the daily closing price from July to September of 2022, with the closing price on each Friday as marker. The missing data for the China Market (12th Sep) is due to the public holiday.

Market \ Date	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug	26-Aug	2-Sep	9-Sep	16-Sep	23-Sep	30-Sep
China Carbon Market	€ 8.37	€ 8.23	€ 8.41	€ 8.23	€ 8.37	€ 8.44	€ 8.37	€ 8.37	€ 8.44	€ 8.37	€ 8.37	€ 8.37	€ 8.30	€ 8.30
EU Carbon Market	€ 85.58	€ 82.79	€ 85.38	€ 76.30	€ 78.55	€ 84.76	€ 88.87	€ 98.01	€ 88.81	€ 77.89	€ 66.08	€ 73.27	€ 65.77	€ 66.73

Note: This is a comparison table of the China Carbon Market and the EU Carbon Market after converting the closing price of the China Market into Euros.



Policy Tracker

Policy Title: Implementation Plan for Carbon Peaking in Urban and Rural Construction (Chinese)

Department: National Development and Reform Commission

Date: 2022/6/30

Policy Title: "14th Five-Year" Environmental Health Work Plan (Chinese)

Department: Ministry of Ecology and Environment

Date: 2022/07/29

Policy Title: Implementation Plan for Carbon Peaking in Shanghai (Chinese)

Department: Shanghai Municipal People's Government

Date: 2022/07/08

Policy Title: Implementation Plan for Carbon Peaking in Jiangxi Province (Chinese)

Department: People's Government of Jiangxi Province

Date: 2022/07/08

Policy Title: Implementation Plan for Carbon Peaking in Jilin Province (Chinese)

Department: People's Government of Jilin Province

Date: 2022/07/22

Policy Title: Implementation Plan for Carbon Peaking in Hainan Province (Chinese)

Department: People's Government of Hainan Province

Date: 2022/08/09

Policy Title: Implementation Plan for Carbon Peaking in Tianjin Province (Chinese)

Department: People's Government of Tianjin Province

Date: 2022/08/25

Policy Title: Implementation Plan for Science and Technology Supporting Carbon Peak and Carbon Neutrality (2022-2030) (Chinese)

Department: Ministry of Science and Technology

Date: 2022/08/18



Carbon-related News

HKEX Forms Council to Launch International Carbon Market

Exchange group Hong Kong Exchanges and Clearing Limited (HKEX) announced today the launch of Hong Kong International Carbon Market Council (the Council), a collaboration of leading corporates and financial institutions primarily focused on the development of an international carbon market.

China's Sinopec Starts First Carbon Capture, Storage Facility, Plans Another Two by 2025

China's Sinopec Corp said that it has put into operation the country's largest carbon capture, utilization and storage (CCUS) facility in east China, and plans to build two more plants of similar size by 2025.

ExxonMobil, CNOOC, and Shell to Pursue Carbon Capture and Storage Hub in China

ExxonMobil, Shell, CNOOC, and Guangdong Provincial Development & Reform Commission have signed a Memorandum of Understanding to evaluate the potential for a world-scale carbon capture and storage project to reduce greenhouse gas emissions at the Dayawan Petrochemical Industrial Park in Huizhou, Guangdong Province, China.

China Steps Up Approval of Coal Mining Projects to Secure Supply

China cleared projects to add 125 million tons of annual coal production capacity during the first half this year as the country ramps up efforts to ensure sufficient supply amid shrinking coal imports and soaring energy prices. The Ministry of Ecology and Environment approved 20 new coal mining projects so far this year, the final step in regulatory reviews before construction can start.

Sichuan Power Crunch Sparks Calls for Rethink of Coal in China's Energy Mix

As much of China continues to bake under the worst heatwave in at least 60 years, a drought is drying up reservoirs and crippling hydropower stations in southwestern Sichuan province, the largest producer of the renewable energy, causing a power crunch and sparking calls for a rethink of the black sheep in the nation's energy mix: coal.

China Sets Out National Carbon Accounting Plans

The plan proposes that by 2023, China will have established a unified and standardized carbon emission statistical and accounting system, as well as interdepartmental coordination mechanisms for recording and maintaining carbon emissions statistics.

China Approves First Carbon Neutral ETFs

Eight carbon neutral ETFs scheduled for Shanghai debut; five interbank transition bonds approved for launch. The new carbon neutral ETFs will further raise the ability of the capital market to service the economy's green transformation and enable institutions and retail investors to contribute to green investment.

China's Carbon Emission Trading Market to Celebrate 1 Year Anniversary

As of July 14, the country's cumulative trading volume of carbon emission quota had reached 194 million tons, with a total trading value of 8.492 billion yuan (\$1.25 billion).

China's Carbon Neutrality Can Mitigate Global Warming

Chinese researchers recently published an assessment of the mitigation of China's carbon neutrality to global warming, noting that the country's efforts can mitigate global warming by 0.48 and 0.40 degrees Celsius under intermediate and very high greenhouse gas emission scenarios.

Carbon Emissions Ranking of Top 100 Listed Companies in China (Chinese)

The list covers eight major industries that will be included in the national carbon market. Among them, power generation, cement, and steel are the three main industries that make up the list. The number of listed companies in these three industries is 29, 18, and 22 respectively, and the total carbon emissions are 2.064 billion tons, 1.126 billion tons, and 634 million tons respectively, accounting for 75% of the total emissions on the list.

China Reaffirms Goals of Carbon Peak and Carbon Neutrality

China reaffirmed its resolution of achieving the goals of a CO₂ emissions peak and carbon neutrality on Thursday, as the Ministry of Ecology and Environment noted achievements and progress that the country has made on building a "beautiful China" in the past decade.

Better Data is Key to the Success of China's Carbon Market

China is tackling data integrity issues within its carbon market, but more efforts are urgently needed to establish effective controls and minimize complications brought on by other policy drivers.



Green Finance News

Citi Unveils Sustainability-linked Deposit Solution for Clients in Asia Pacific

Citi today announces the launch of a new sustainability-focused time deposit solution in Asia Pacific, meeting client demand and interest in sustainability-linked products, services, and investment options. Available in Singapore and Hong Kong, corporate and institutional clients in the region now have access to Citi Treasury and Trade Solutions' (TTS) new Sustainable Time Deposit solution.

Far Eastern New Century Issues Taiwan Debut Sustainability-Linked Bond, Underwritten by Yuanta Securities

Far Eastern New Century Corporation (FENC) (1402) listed its debut Sustainability-Linked Bond (SLB) on September 14 at the Taipei Exchange (TPEX), with an issuance amount of NT\$2.5 billion and a five-year term.

CHIMEI Issues the First Sustainability-Linked Bond in Taiwan to Achieve Net Zero Emissions

The amount of the 5-year SLB issued was NT\$1 billion. The SLB symbolizes that the development of sustainable finance has reached a new milestone, and also shows CHIMEI's commitment to sustainability, ESG, and net zero emissions.

China to Streamline Panda Bond Registration, Issuance

China will launch a pilot program to streamline the panda bond registration and issuance mechanism in a bid to further open the country's bond market.

SFC Sets Out the Way Forward for Green and Sustainable Finance

The Securities and Futures Commission (SFC) published on 2 August 2022 its Agenda for Green and Sustainable Finance to set out further steps to support Hong Kong's role as a regional green finance center, having achieved the goals set out in its Strategic Framework for Green Finance.

Major Market Participants Trade First Triparty Repo on ESG Bonds in China

First trades were successfully performed by China Construction Bank, China Merchants Bank, Crédit Agricole CIB, Industrial and Commercial Bank of China and Shanghai Pudong Development Bank. All participants chose all eligible ESG bonds based on dedicated baskets provided by Clearstream.

Trading Started Today for E Fund Carbon Neutral 100 ETF, China's Largest Carbon-Neutral ETF

On July 19, E Fund Carbon Neutral 100 ETF (Bloomberg ticker: 562990 CH Equity) was listed on the Shanghai Stock Exchange (SSE). Before market opened, it ranked first among 15 China onshore listed carbon neutral thematic ETFs, with AuM of US\$630 million (RMB 4.27 billion).

Industrial Bank is the First to Launch a Financial Plan for Biodiversity Conservation (Chinese)

The "Notice on Strengthening Biodiversity Conservation" clearly requires that the concept of sustainable development be integrated into the bank's business activities and investment and financing activities, formulate a bank-wide biodiversity conservation strategy, establish, and improve eco-friendly credit policies, and strengthen biodiversity risks. management, and actively explore and research biodiversity protection mitigation measures and stress testing.

The First Batch of 23 Pilot Cities for Climate Investment and Financing Announced (Chinese)

On August 10, according to the official website of the Ministry of Ecology and Environment, the list of climate investment and financing pilots was confirmed, and a total of 23 climate investment and financing pilots were approved, including 12 cities, 4 districts, and 7 national-level new districts.

"Proposal for ESG Due Diligence Management in China's Insurance Asset Management Industry" released (Chinese)

The proposal points out that it is necessary to start from the responsibility of due diligence, give full play to the influence of institutional investors, guide stakeholders including invested companies to work together to build a green development ecosystem, support the country's sustainable development, and help to achieve carbon peak and carbon neutrality goals.

Green Finance Market Creates Opportunities for Global Lenders

The People's Bank of China (PBOC), the central bank, recently included two foreign-funded banks in a lending program designed for carbon emission reduction. Deutsche Bank (China) Co Ltd and Societe Generale (China) Ltd became the first foreign institutions to get the green light to join the supporting program for emission cuts.

Postal Savings Bank of China Leads Launch of Green Bond Collateral Pools

On 26 September PSBC announced that it had recently worked with the National Interbank Funding Centre to launch China's first standardized green collateral pool, marking the start of interbank lending operations that are collateralized using green bonds.



Regulation & Disclosure News

China's New Green Bond Standards Aim to Curb 'Greenwashing'

China has released a new set of guidelines for green bond issuance to create a unified framework for a fast-growing market plagued by differing standards. China Green Bond Principles was released as ESG (environmental, social and corporate governance) investment in China continues to grow rapidly.

SZSE Issues Evaluation Method of ESG and ESG Indices

The evaluation method of CNI ESG aims to provide the tools for ESG evaluation adapted to the Chinese markets. There are 15 themes, 32 fields, and more than 200 indicators established under three dimensions: environment, social responsibility, and corporate governance.

HKMA To Embed Climate Risk in Banking Supervision

The HKMA has recently completed a comprehensive review of its existing supervisory processes and has developed a two-year plan to weave climate risk considerations into banking supervision.

China Names 18 Institutions as Gatekeepers for Green Bonds

Chinese regulators designated 18 credit rating and accounting businesses as the country's first officially approved green bond gatekeepers in a move to put the booming market under formal oversight.

Taiwan to Require Emissions Disclosures in Annual Reports in 2024

Companies will have to start disclosing climate-related information including GHG emissions data in annual reports and prospectuses in 2024.



Other News

Fosun International Listed in Forbes 2022 China ESG 50

Forbes China recently released its “2022 China ESG 50” list. Fosun International has been included on the list for its outstanding ESG performance and its active contribution to the fight against the COVID-19 pandemic. Forbes China pointed out that ESG is still in its infancy in China, and the 50 selected companies are all pioneers in the field of ESG.

Castrol Partners with World’s Top EV Producer BYD China

Castrol and BYD (China), one of China’s largest manufacturers of electric vehicles (BEVs), have signed a new three-year strategic collaboration agreement. BYD sold almost 600,000 BEVs last year, plans to increase this to a million units in 2022, and is actively promoting exports to over 60 countries.

Hong Kong Seeks to Lure Global Fintech, ESG Talent with Cash Grants and Easy Immigration

The Hong Kong government will dedicate resources to develop much needed local ESG talent, Secretary for Financial Services and the Treasury Christopher Hui says. A new round of cash grants totaling US\$1.3 million is up for grabs for fintech start-ups from September 10.

China Ups Global Green Cooperation

China will build bigger platforms and provide more support to enterprises from all other countries to have exchanges and build cooperation in the green and low-carbon sectors in China, said government officials. The move is part of the nation's broader efforts to honor its climate change commitments and make more contributions to world climate governance.

China Approves Construction of Two Nuclear Power Facilities at \$11.5bn Cost

China National Nuclear Corporation would be responsible for the development of the nuclear power plant at Phase II of Zhangzhou, and State Power Investment will be responsible for Phase I of the Lianjiang project

China Building World’s Largest ‘Green Hydrogen’ Factory

The facility in Xinjiang will use renewable energy to break down water into oxygen and hydrogen, the latter of which can then be liquefied and used as fuel. The facility should help to reduce the country’s carbon emissions by around 500,000 tonnes a year, according to state media reports.
