

China Sustainability Newsletter

Issue No. 4 | October 2022 - December 2022

EVALUESERVE



Highlights

- In this quarter, Hong Kong jurisdiction unveiled vigorous initiatives toward sustainable development, including launching the **Pilot Green and Sustainable Finance Capacity Building Support Scheme** and the international carbon marketplace **Core Climate**, publishing the **Social, Green and Sustainability Financing Framework**, and addressing the **greenwashing risks** in the corporate green bond markets.
(→ [Carbon-Related News](#))
(→ [Green Finance News](#))
- China's national ETS achieved a **10-billion-yuan (US\$1.4 billion) transaction value** this December. However, the carbon price is still far from expectations.
(→ [Carbon Trading Trend](#))
- To further improve the quality of carbon emission data, China recently issued two guidelines regarding the **accounting, reporting, and verification of GHG emissions data**.
(→ [Policy Tracker](#))

Part 1

Carbon Trading Trend

Part 2

Policy Tracker

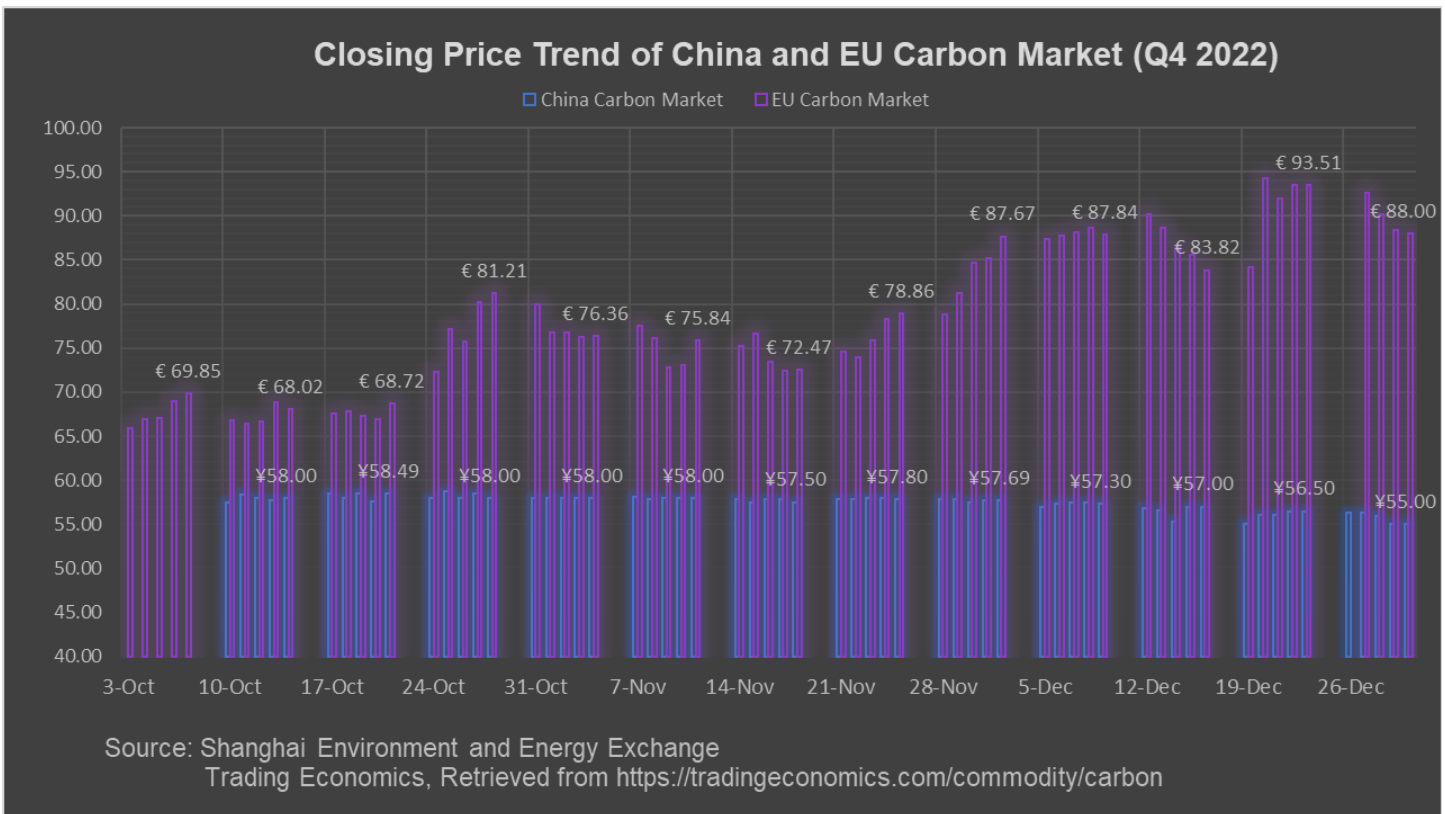
Part 3

News



Carbon Trading Trend

China's carbon emission trading volume has achieved 10 billion yuan (US\$1.4 billion) this December. The closing price, however, still goes sideways around 57 yuan/ton, which is far below the 65 yuan/ton estimated by Refinitiv earlier. On the other hand, the EU Carbon Market, although the price was at a relatively low level in early October, it continued to rise during the following quarter, breaking through the line of 90 euros/ton again in mid-December.



Note: The chart is generated from the daily closing price from October to December of 2022, with the closing price on each Friday as a marker. The missing data for the China Market (3rd Oct ~ 7th Oct) and the EU Market (26th Dec) is due to the public holidays.

Market \ Date	7-Oct	14-Oct	21-Oct	28-Oct	4-Nov	11-Nov	18-Nov	25-Nov	2-Dec	9-Dec	16-Dec	23-Dec	30-Dec
China Carbon Market	-	€ 7.90	€ 7.97	€ 7.90	€ 7.90	€ 7.90	€ 7.84	€ 7.88	€ 7.86	€ 7.81	€ 7.77	€ 7.70	€ 7.50
EU Carbon Market	€ 69.85	€ 68.02	€ 68.72	€ 81.21	€ 76.36	€ 75.84	€ 72.47	€ 78.86	€ 87.67	€ 87.84	€ 83.82	€ 93.51	€ 88.00

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.

Source: <https://www.xe.com/>



Policy Tracker

National Development and Reform Commission

1. [Notice on Matters Concerning Promoting the Healthy Development of the Photovoltaic Industry Chain \(Chinese\)](#) Date: 2022/10/28
2. [Opinions on Further Improving the Policy Environment and Strengthening Support for the Development of Private Investment \(Chinese\)](#) Date: 2022/11/07
3. [Implementation Plan for Further Improving the Market-Oriented Green Technology Innovation System \(2023-2025\) \(Chinese\)](#) Date: 2022/12/28

Ministry of Ecology and Environment

1. [Technical Specification for Ecological and Environmental Statistics, Emission Source Statistics \(Chinese\)](#) Date: 2022/12/01
2. [Catalogue of Low-Carbon Technologies Promoted by the State \(Fourth Batch\) \(Chinese\)](#) Date: 2022/12/19
3. [Guidelines for Accounting and Reporting of Greenhouse Gas Emissions for Enterprises, Power Generation Facilities \(Chinese\)](#) Date: 2022/12/19
4. [Technical Guidelines for Verification of Greenhouse Gas Emissions for Enterprises, Power Generation Facilities \(Chinese\)](#) Date: 2022/12/19
5. [Technical Guidelines for Performance Assessment of Ecological Protection and Restoration \(Trial\) \(Chinese\)](#) Date: 2022/12/24

Ministry of Industry and Information Technology

1. [Implementation Plan of Carbon Peaking for Building Material Industry \(Chinese\)](#) Date: 2022/11/07
2. [Implementation Plan of Carbon Peaking for Non-ferrous Metal Industry \(Chinese\)](#) Date: 2022/11/10

Ministry of Science and Technology

1. [Implementation Plan for Ecological Protection and High-Quality Development of Scientific and Technological Innovation in the Yellow River Basin \(Chinese\)](#) Date: 2022/10/08
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Carbon-related News

HKEX Launches Core Climate, Hong Kong's International Carbon Marketplace, Supporting Global Transition to Net Zero

Core Climate will provide effective and transparent trading of voluntary carbon credits and instruments, across Asia and beyond. New carbon marketplace reflects HKEX's commitment to building an integrated ecosystem and international carbon market in Hong Kong, one that provides a one-stop solution for trading, custody, and settlement.

Early Momentum for Core Climate, Hong Kong's New International Carbon Marketplace

More than 40 trades completed, by over 20 Core Climate participants, in first four weeks since launch, representing around 400,000 tonnes of carbon credits. More than 30 international projects now available on the platform. Carbon credits denominated in both HKD and RMB, driving accessibility and ensuring flexibility for participants

China Submits Progress Report on Implementing Targets of Fighting Climate Change

Named "Progress on the Implementation of China's Nationally Determined Contributions (NDC)," the report introduces the progress made by China in implementing its NDC targets since China updated its plan in 2020, which includes reaching carbon peak before 2030 and achieving carbon neutralization before 2060.

China's Shenzhen Energy Signs Long-term LNG Contract with BP

China's Shenzhen Energy Group has signed a long-term agreement with oil major BP to buy liquefied natural gas (LNG), aiming to lock in supplies with gas-fired power generation poised to surge in the world's second-largest economy.

Cooperation Areas Between China, Saudi Arabia Now Beyond Oil to Include New-energy Sectors as Firms Ink Flurry of Deals

In a joint statement released, the two countries emphasized strengthening energy cooperation, underlined the significance of global oil market stability and the need to deepen cooperation within the framework of the Belt and Road Initiative, and agreed to promote the development of wind energy and other renewable energy sources and projects.

China's SASAC Orders All State-owned Enterprises to Formulate a Carbon Peak Action Plan Before the End of 2022

State Owned Enterprises will have up to the end of 2022 to formulate an action plan to peak their carbon emissions. 20 SOEs have already formulated their action plans, but challenges still need to be overcome.

China's Emissions Trading Scheme Crosses 10 Billion Yuan Mark

China's national emissions trading scheme (ETS), the world's largest carbon market covering a seventh of emissions globally, surpassed 10 billion yuan (US\$1.4 billion) in total transactions on Thursday. Its carbon price and trading volume, however, were both well below expectations.

Yum China's Science-Based Targets Approved, Aiming for Over 60% GHG Emissions Reduction by 2035

Yum China Holdings, Inc. announced that the Science Based Targets initiative has approved the Company's near-term science-based emissions reduction target, making the Company the first restaurant company in China to reach this milestone.

China Outlines Carbon Peaking Roadmap for Building Materials

The plan outlines requirements for the industry to adopt new materials and upgrade technologies to reduce energy consumption and carbon emissions in key sectors including cement, glass, and ceramics during the 14th Five-Year Plan period between 2021 and 2025.

EU Levels Playing Field as Chinese, Asian Exporters are Required to Provide Emissions Data Ahead of Carbon Tax

The Carbon Border Adjustment Mechanism, which aims to level the playing field for imports and domestic products in terms of carbon emissions, kicks in next year. The rules will be applied initially to at least five industries: cement, aluminium, fertilisers, steel, and electricity.

New Coal-Fired Electricity Plant Approvals Triple From 2021

Between January and November, more than 65 million kilowatts of coal-fired electric generating capacity won government clearance, compared with 21.36 million kilowatts in 2021, data from a power industry transition study by the Institute of Energy of Peking University showed.

China Announces Plan to Curb Rising Methane Emissions

China has drafted a new plan to control methane and will promote new technologies and financing mechanisms to slash rising emissions of the greenhouse gas that traps 80 times more heat than carbon dioxide, the country's top climate official said.

China to Use Shanghai Exchange for Yuan Energy Deals with Gulf Nations

China's President Xi Jinping said in Riyadh that China and Gulf nations should make full use of the Shanghai Petroleum and National Gas Exchange as a platform to carry out yuan settlement of oil and gas trade.

China Released Green and Low Carbon Labeling White Paper (Chinese)

The white paper comprehensively analyzes the status quo, difficulties, and challenges of global green and low-carbon development, systematically expounds the background, ideas, and significance of the green and low-carbon label, and proposes the green and low-carbon label framework, the development path, and strategic suggestions.



Green Finance News

HKMA Published Report on Greenwashing in the Corporate Bond Markets

A widespread of greenwashing issuers may trigger an abrupt sale and repricing of green bonds, as well as set off a chain of spillover effects on other green asset classes. Greenwashing is not uncommon in the global green bond market, as about one-third of corporate green bond issuers are found to have a poorer environmental performance after their initial green bond issuance.

HKMC Publishes Social, Green, and Sustainability Financing Framework

The HKMC will use the SGS Framework as the basis to structure and issue social, green, and/ or sustainability bond(s) and asset-backed securities (Sustainable Financing Instruments). Net proceeds of the Sustainable Financing Instruments will be allocated to support projects falling within one or more of the “Eligible Social Asset Categories” or “Eligible Green Asset Categories” (as defined in the SGS Framework).

Hong Kong Cross-Agency Steering Group launches Sustainable Finance Internship Initiative to Support Capacity Building

The Green and Sustainable Finance Cross-Agency Steering Group launched on 12th October, the Sustainable Finance Internship Initiative (the Initiative), which aims to create more internship opportunities in Hong Kong for students, as part of a collaborative effort to build capability for the industry.

Smart Contract-based Carbon Credits Attached to Green Bonds

Report showcasing Project Genesis 2.0 led by the BIS Innovation Hub in collaboration with the Hong Kong Monetary Authority and UN Climate Change Global Innovation Hub, that explored the technical feasibility to digitise green bonds with carbon forwards (also known as mitigation outcome interests (MOIs)) attached to enhance the transparency, objectivity, and environmental integrity of the green bond market.

Hong Kong Launches Pilot Green and Sustainable Finance Capacity Building Support Scheme

The Government announced today (December 13) the launch of the three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme to encourage local eligible practitioners and prospective practitioners to participate in training related to green and sustainable finance in response to the new trend of developing low-carbon and sustainable economy.

Hong Kong Published Report on Climate Risk Measurement for Financial Services Industry

This report reviews global financial institutions' motivations and challenges associated with climate risk measurement, and presents the results of a survey and interviews commissioned by the HKIMR, highlighting the existing landscape and developments on this subject in Hong Kong's financial services industry.

China Promotes Further Opening in Panda Bond Market

The People's Bank of China and the State Administration of Foreign Exchange have jointly released the new regulations, which will come into effect on Jan 1, 2023, to facilitate the financing of overseas institutions in the country's bond market. Separate rules for the interbank market and the exchange-traded market, concerning fund registration, fund remittances, and the opening of accounts, will be unified, according to the official document.

China, Singapore Launching Green Finance Taskforce

The Monetary Authority of Singapore (MAS) has announced new initiatives to expand green finance cooperation and deepen its capital market linkages with China, including the establishment of a task force with the People's Bank of China (PBOC) to facilitate public-private sector exchanges and mobilise private investment towards sustainable development.

SOEs Undermine Credibility of China Green Finance Market

China's green bond market will remain fragmented, albeit to a lesser extent, until the NDRC mandates SOEs to comply with the Green Bond Principles. While many Chinese green bonds are expected to become more aligned with international markets, investors should continue to be wary of SOEs' onshore green bonds in the absence of the NDRC's backing of the Green Bond Principles.

FTSE Russell, Ping An Jointly Launch China ESG Indexes

Global index publisher FTSE Russell and Chinese financial conglomerate Ping An announced a partnership on Thursday to promote sustainable investment, launching a series of China indexes integrating environmental, social, and government (ESG) considerations.

HSBC, under Pressure on Climate Policies, to Stop Funding New Oil and Gas Projects

The bank says it will still provide financing and advisory services to energy sector clients at the corporate level. HSBC has faced pressure from activists and shareholders to do more to address climate change.

Taiwan Central Bank to Incorporate Climate Change Risks into Forecasting

Taiwan's central bank said on Friday it would begin incorporating climate change risks into its modelling and forecasts for inflation and economic growth and adapt monetary policy to promote sustainable development.



Regulation & Disclosure News

Taiwan Released Reference Guidelines for Exercise of Duties and Powers by Independent Directors and Audit Committees

To enhance corporate governance, all supervisors of companies listed on the Taiwan Stock Exchange (the “TWSE”) and Taipei Exchange (the “TPEX”) are to be replaced by the audit committee from 2022 onward, thus making the responsibilities of audit committee independent directors ever more important.

Climate Disclosures to be Mandatory for Taiwan Financial Institutions in 2024

The new rules stipulate that timelines for conducting greenhouse gas inventory and assurance activity specified in climate-related disclosures which shall be made by TWSE or TPEX listed companies from Year 2024 (stipulation shall become effective from 1st, January 2024).

The Stock Exchange of Hong Kong Limited Publishes Findings of its Latest Review of Issuers’ ESG Disclosures

The review focused on the requirements that came into effect in July 2020 (2020 Enhancements) as set out in the Exchange’s ESG Reporting Guide. The 2020 Enhancements’ emphasis is on boards’ ESG governance and management of climate-related risks. Regarding ESG governance, over 95% of issuers disclosed their boards’ oversight and management approach on ESG matters. On climate change, 85% of issuers acknowledged the importance of climate-related risks and chose to disclose details on all new climate-related requirements.

Cross-Agency Steering Group Announces Collaboration with CDP to Enhance Data Availability and Sustainability Reporting in Hong Kong

The Steering Group and CDP will work together to enhance climate and environmental disclosure, support capacity building, and facilitate data flow.

Hong Kong Exchange Encourages Companies to Prepare for Enhanced Climate Reporting Requirements

Issuers listed on the Stock Exchange of Hong Kong are being encouraged to begin planning and building the infrastructure and systems necessary to meet future climate reporting requirements, as the exchange looks to further enhance climate-related disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework and the new International Sustainability Standards Board (ISSB) climate standards.

New Guidance for Climate Resolutions in Asia

The report has been published by environmental law firm ClientEarth and AIGCC, providing specific guidelines on climate-focused shareholder resolutions in Japan, South Korea, India, Hong Kong, Malaysia, Singapore, Indonesia, Thailand, Vietnam, the Philippines, and the People’s Republic of China.

China to Unveil New Rules to Rein in Fund 'Greenwashing'

China plans to tighten rules to regulate environmentally friendly, or so-called green funds, as part of its efforts to rein in 'greenwashing' in the world's second-largest climate fund market. The new rules, which could be in place in the first half of 2023, will mark a major change in a rapidly growing corner of the funds industry in China, where asset managers currently have the leeway to determine the scope of green investments on their own.

China Central Bank Calls for Green Finance Regulation to be Strengthened

"Climate change and low-carbon transformation will have a major impact on the wealth pattern and the asset management industry," Xuan Changneng, deputy governor of the People's Bank of China, told the Shanghai Bund Summit via video link.

State Clearing House Sets Standards for China's \$200 Billion Green Bond Market

The system comprises 44 benefit indicators for 207 types of green projects and is aimed at standardizing information disclosure by bond issuers and certification institutions, making the process more transparent, quantifiable, and verifiable, said China Central Depository & Clearing Co. Ltd. (CCDC), the standard setter.



Other News

IFRS Foundation and MoF China Sign an MoU to Establish an ISSB Office in Beijing

On 29 December 2022, the Trustees of the IFRS Foundation signed a Memorandum of Understanding (MoU) with the Ministry of Finance of China to establish a Beijing office of the IFRS Foundation. The MoU is effective for an initial three-year period. The signing of the MoU follows the COP26 announcement of the International Sustainability Standards Board (ISSB) and its global and multi-location presence by the Trustees.

Wuhan Declaration Adopted at COP14 on Wetlands Conservation

As the main fruit of the COP14, the declaration called for "strong will and practical actions" to promote the conservation, restoration, management, wise and sustainable use of wetlands and to prevent and mitigate the systematic risks arising from the continuing loss and degradation of wetlands worldwide.

Courts Strengthen Protection of Biodiversity

Chinese courts have pledged to strengthen judicial protection of biodiversity and advance the building of a legal system for conserving biodiversity, so as to beautify the environment and increase people's sense of security, fulfillment and happiness.

Indonesia to Set up \$2 Billion EV Fund with China's CATL, CMB International

The Indonesia Investment Authority, the country's sovereign wealth fund, is to set up a green electric vehicle (EV) fund of at least \$2 billion with China's battery maker CATL and CMB International. The announcement was made in a live-streamed business conference on the sidelines of the G20 summit.

China Passes New Women's Protection Law, Revamped for First Time in Decades

China passed legislation on Sunday aimed at giving women more protection against gender discrimination and sexual harassment, days after the bill was submitted to the country's top legislature after a third revision and extensive public input.

38 Problematic Mobile Apps Revealed for Infringing upon Users' Rights

China's Ministry of Industry and Information Technology released a notification about problems with dozens of mobile applications that infringe upon users' rights. A total of 38 mobile applications were identified with problems such as pushing pop-up information that violates regulations or coercively, frequently, and excessively asking for permission from users.

WTO Rules Against U.S. in Hong Kong Labelling Dispute

The World Trade Organization found that the United States had violated global trading rules by insisting that products imported from Hong Kong be marked as coming from China, a ruling rejected as "flawed" by Washington.

Fosun International Garneres Multiple ESG Awards in Domestic and International Markets

Recently, Fosun International received numerous accolades in domestic and international markets, including multiple ESG awards from international financial media *International Business Magazine*, *Finance Derivative* and Hong Kong stock connect information platform *Zhitong Caijing*.
