

More money will go to green projects (Global Times)

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With China announcing its first-ever carbon intensity reduction targets, banks now foresee loan policies in favor of green projects, although detailed action plans on how to achieve those targets are still up in the air, awaiting the results of the Copenhagen summit.

On November 25, China declared its aim to reduce its carbon intensity – carbon per unit of GDP – by 40 to 45 percent by 2020 from the 2005 level. The government goal is to derive 15 percent of the nation's primary energy needs from non-fossil fuel sources by 2020 and increase renewable forest land to 40 million hectares over the next 10 years.

"China is likely to require commercial banks to give loan priority to energy-efficient and emission-reducing projects in the next stage," Dai Cunfeng, the manager of China's utility-based Energy Efficiency Finance Program under the International Finance Corporation, World Bank Group, told the Global Times.

The government has already withheld loans from heavy polluters under the "green-credit policy" of 2007.

According to the policy, companies that fail to pass environmental assessments or to implement environmental protection regulations are disqualified from receiving loans from any banks or financial institutions. Companies that have already received loans, but are later discovered to have violated environmental protection regulations, will have their loans recalled.

A researcher with the Sustainable Financial Center under the Fujian-based China Industrial Bank (CIB) said that green projects would benefit from China's carbon-reduction goals. CIB is exploring other business models that focus on clean air, clean water and a reduction of greenhouse gases.

CIB's present green business strategy focuses mainly on projects of energy efficiency, new energy, regenerative energy and the Clean Development Mechanism, which enables polluting companies to invest in emission reduction projects in emerging markets to generate carbon credits that offset their own emissions.

The researcher said at the end of November, a total of 35 CIB branches had provided 9.01 billion yuan (\$1.32 billion) loans to finance 169 energy-efficient and emission reduction projects.

"These projects can save 8.40 million tons of standard coal. The annual reduction in carbon dioxide emissions would be equivalent to 70,000 Beijing taxis taken off the streets for 18 years, or 44 thermal power stations of 100 megawatts closed," the researcher told the Global Times under anonymity.

CIB is not alone. The Shanghai Pudong Development Bank (SPDB), Beijing Bank, the Bank of China and the Shenzhen Development Bank are all involved in green financing.

Dai said that despite China's desire for energy conservation and emission abatement, a number of green projects couldn't be implemented for lack of funds.

Loans for green projects accounted for only 3.11 percent of the total lending last year.

Banks dare not risk funding these projects, which they do not fully understand, said Dai, adding that once detailed action plans are announced, the demand for financing will increase.

Figures from New Energy Finance show that by the end of 2009 the global carbon market is expected to be worth \$122 billion – a 3 percent increase over 2008 – and will be worth \$1.9 trillion by 2020.

Dai said that besides extending loans, banks could offer discount credits to be generated from green projects and provide cash flow for other enterprises. Banks can also serve as green energy brokers.

CIB already has its plans. The bank is exploring business opportunities in carbon asset management services, and hoping to become a broker and market maker when a carbon-trading system has been set up in China. CIB also hopes to develop derivatives based on carbon emissions trading products.

SPDB provided pledge loans on accounts receivable for an offshore wind power CDM project earlier this year.