

China to bring in green loan benchmark

The nation's environmental watchdog will work with the financial sector to bring in an international benchmark on green credit.

The State Environmental Protection Administration (SEPA) signed a deal with the International Finance Corporation (IFC) in Beijing yesterday to introduce the Equator Principles in China.

The principles are a voluntary set of guidelines based on IFC policies to incorporate social and environmental issues in project financing.

Finance is provided only to projects that will be conducted in a socially and environmentally responsible way that's in line with the principles.

China introduced the green loan concept last July, part of its enforcement of eco-friendly economic policies. Communications between environmental monitors and banks saw some plants blacklisted from receiving loans because of their pollution record.

"It was proved an effective instrument to curb pollution and lower financial risk," said Yang Chaofei, director of the SEPA's policy department.

But increasing demand for green credit meant environmental groups and banks needed a set of international standards, Yang said.

Lian Gong, deputy head of credit management at the Industrial and Commercial Bank of China (ICBC), agreed.

The ICBC surveyed its 59,000 corporate clients last year to assess environmental performance. About 78 percent were cleared for green loans of more than 200 million yuan, accounting for about 80 percent of the total.

"As we pushed forward with the green loan concept, the biggest problem we faced was how to assess pollution risk for different industries," Lian said.

The Equator Principles cover 63 sectors that cause environmental problems, such as manufacturing, petrochemicals, energy and infrastructure construction.

Initial collaboration between the SEPA and IFC produced environmental, health and safety guidelines for pulp and paper mills and the mining sector.

Li Xiaowen, from the China Banking Regulatory Commission, said the benchmark's introduction indicated a shift in the banking industry's focus to environmental and social issues as a business risk.

She urged the financial sector to join with the environmental agency to meet the nation's energy conservation and environmental protection targets.

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