

Asia Pacific Policy Briefings:  
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environment  
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# Greening the Chinese banking system

## A policy and regulatory landscape analysis

December 2025

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# Acronyms and abbreviations

<b>APAC</b>	Asia-Pacific
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>CBRC</b>	China Banking Regulatory Commission
<b>CBIRC</b>	China Banking and Insurance Regulatory Commission
<b>CCUS</b>	Carbon capture, utilization, and storage
<b>CGT</b>	Common Ground Taxonomy
<b>CERF</b>	Carbon Emissions Reduction Facility
<b>CIRC</b>	China Insurance Regulatory Commission
<b>COP21</b>	2015 Conference of the Parties to the UN Framework Convention on Climate Change
<b>CPC</b>	Communist Party of China
<b>CSRC</b>	China Securities Regulatory Commission
<b>ESG</b>	Environmental, social, and governance
<b>ESRS</b>	European Sustainability Reporting Standards
<b>GDP</b>	Gross domestic product
<b>GHG</b>	Greenhouse gas
<b>IFRS</b>	International Financial Reporting Standards
<b>ISSB</b>	International Sustainability Standards Board
<b>M-CGT</b>	Multi-Jurisdiction Common Ground Taxonomy
<b>MEE</b>	Ministry of Ecology and Environment
<b>MEP</b>	Ministry of Environmental Protection (predecessor of MEE)
<b>MIIT</b>	Ministry of Industry and Information Technology
<b>MOF</b>	Ministry of Finance
<b>MOFA</b>	Ministry of Foreign Affairs
<b>MOFCOM</b>	Ministry of Commerce
<b>MOFTEC</b>	Ministry of Foreign Trade and Economic Cooperation (predecessor of MOFCOM)
<b>MOHURD</b>	Ministry of Housing and Urban-Rural Development
<b>NDC</b>	Nationally Determined Contribution
<b>NDRC</b>	National Development and Reform Commission
<b>NFRA</b>	National Financial Regulatory Administration
<b>NGFS</b>	Network for Greening the Financial System
<b>PBoC</b>	People's Bank of China
<b>RMB</b>	Renminbi (Chinese currency, expressed in yuan)
<b>SASAC</b>	State-owned Assets Supervision and Administration Commission of the State Council
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>UNEP FI</b>	United Nations Environmental Programme Finance Initiative
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>USD</b>	United States Dollar



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# Executive summary

Since the early 2000s, China has been advancing efforts to green its financial system.<sup>1,2,3</sup> Over this period, a range of policy instruments and regulatory measures have been introduced to mobilize public and private finance in support of a transition toward a more sustainable economy, with the dual aims of promoting economic development and addressing environmental and climate-related challenges. National decarbonization goals have contributed to a rapid increase in clean energy investments, as evidenced, for example, by China's early achievement of its 2030 renewable energy target.<sup>4</sup> In 2024, clean technology industries accounted for over 10% of national economic activity and approximately one quarter of gross domestic product (GDP) growth.<sup>5</sup> In the same year, China accounted for more than 40% of global renewable energy capacity and nearly 77% of renewable energy capacity in Asia.<sup>6</sup>

The expansion of green industries and sustainable finance policies has occurred alongside continued economic growth, indicating that the pursuit of environmental and climate goals has not significantly constrained China's overall development trajectory. Instead, green sectors have emerged as new drivers of productivity and competitiveness.

At the same time, the transition process remains complex. Economic transformation and energy security continue to be central considerations. Fossil fuels still play a significant role: coal supplies approximately 51% of electricity generation,<sup>7</sup> and additional coal production capacity is still being added.<sup>8</sup> These factors contribute to China's position

- 1 DRC et al., *Greening China's Financial System* (2015), [isd.org/system/files/publications/greening-chinas-financial-system.pdf](https://isd.org/system/files/publications/greening-chinas-financial-system.pdf).
- 2 Ma Jun et al., *Establishing China's Green Financial System* (Green Finance Task Force, 2015), [cbd.int/financial/privatesector/china-green%20task%20force%20report.pdf](https://cbd.int/financial/privatesector/china-green%20task%20force%20report.pdf).
- 3 CCICED, "Green Finance Reform and Green Transformation", paper presented at Annual Conference of CCICED, China Council for International Cooperation on Environment and Development, 9 November 2015, [isd.org/sites/default/files/publications/CCICED/economics/2015/green-finance-reform-and-transformation.pdf](https://isd.org/sites/default/files/publications/CCICED/economics/2015/green-finance-reform-and-transformation.pdf).
- 4 "China Surpasses 2030 Renewable Energy Goals Years Ahead of Schedule", *The Renewable Energy Institute*, 22 January 2025, [renewableinstitute.org/china-surpasses-2030-renewable-energy-goals-years-ahead-of-schedule/](https://renewableinstitute.org/china-surpasses-2030-renewable-energy-goals-years-ahead-of-schedule/).
- 5 Lauri Myllyvirta, "Analysis: Clean Energy Contributed a Record 10% of China's GDP in 2024", *Carbon Brief*, 19 February 2025, [carbonbrief.org/analysis-clean-energy-contributed-a-record-10-of-chinas-gdp-in-2024/](https://carbonbrief.org/analysis-clean-energy-contributed-a-record-10-of-chinas-gdp-in-2024/).
- 6 WEF, "China's Green Transition: Remarkable but Also Sustainable?", World Economic Forum, 28 July 2025, [weforum.org/stories/2025/07/chinas-green-transformation/](https://weforum.org/stories/2025/07/chinas-green-transformation/).
- 7 Qi Qin and Lauri Myllyvirta, "Guest Post: Why China Is Still Building New Coal—and When It Might Stop", *Carbon Brief*, 12 August 2025, [carbonbrief.org/guest-post-why-china-is-still-building-new-coal-and-when-it-might-stop/](https://carbonbrief.org/guest-post-why-china-is-still-building-new-coal-and-when-it-might-stop/).
- 8 "China Allows New Coal Plants, but With More Limited Role", Yale E360, 15 April 2025, [e360.yale.edu/digest/china-new-coal-plants-2027](https://e360.yale.edu/digest/china-new-coal-plants-2027).

as the largest global emitter of greenhouse gases (GHG), accounting for nearly a third of current global emissions.<sup>9</sup>

The simultaneous strong growth of renewable energy in the context of ongoing economic transformation and energy security concerns, along with the continued build-out of coal capacity, all illustrate the evolving nature of China's green transition. Ongoing efforts to align financial regulation with long-term economic and environmental objectives include measures to manage transition risks and to further refine the sustainable finance framework needed to mobilize substantial sustainable investment volumes. These dynamics highlight the complexities of balancing ambition and implementation, in a rapidly changing domestic and global context.

This policy brief presents the evolving green finance policy landscape in China across three main dimensions: national ambition, enabling environment, and prudential and monetary tools. It references nearly 50 policy instruments that have shaped the country's sustainable finance agenda and explores how these instruments and related tools are being deployed to guide the transition toward a more sustainable economy.

## Four areas of focus

- **National sustainability ambitions and context:** The integration of sustainability objectives within national developmental models and planning.
- **Green finance regulatory regime:** Policy instruments embedding sustainability into financial sector frameworks.
- **Investment-enabling taxonomies and green finance standards:** Sustainable finance taxonomies and sustainability information disclosure requirements as regulatory measures to facilitate investment.
- **Prudential regulation and monetary tools:** Integration of sustainability considerations across prudential regulation—the pillars of the Basel Framework—and monetary policy.

### Key finding

Over the past 18 years, China's green finance policy and regulatory frameworks have evolved into a comprehensive structure that is characterized by a mix of historically steeped administrative approaches and innovative experimentation. This multilayered system has provided guidance and incentives for financial institutions and their clients to manage risks and to support investment in clean energy, green technologies, and environmental and sustainability-related projects.

China's policy and regulatory actions, and creation of an enabling environment that aims to protect the environment and mitigate climate change, have sought to steer the economy away from heavy reliance on natural resources towards more innovation and capital-driven growth—reflecting broader ambitions for a more sustainable, inclusive, and equitable development model.

**The main takeaways are highlighted in Table ES1.**

<sup>9</sup> Edward White and Attracta Mooney, "Xi Jinping Sets out Conservative Climate Goal for China over next Decade", Climate Change, *Financial Times*, 24 September 2025, [ft.com/content/440432f1-8045-43d1-972e-6864ea71de2f](https://ft.com/content/440432f1-8045-43d1-972e-6864ea71de2f).

Table ES1: Main takeaways by focus area

### National sustainability ambitions and context

- **National ambitions:** Over the past two decades, China has progressively embedded sustainability considerations into its national development framework, establishing economy-wide sustainability goals and creating an enabling environment to promote green and low-carbon growth. These measures broadly seek to align with international frameworks such as the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, and the Sustainable Development Goals.
- **Gradual transition and harmonization:** Due to its developing country status as classified by the United Nations and its energy resource endowment that is rich in coal and deficient in oil and gas, China has pursued a gradual transition in the energy sector while incrementally aligning its green finance standards with international norms.
- **New renewable energy targets:** The country's recently updated Nationally Determined Contribution (NDC) includes an intention to increase wind and solar power capacity by six times above its 2020 levels, and to reduce economy-wide GHG emissions by 7–10% from their peak by 2035.<sup>10</sup> These targets reflect efforts to strengthen energy security while promoting sustainable growth.

### Green finance regulatory regime

- **Evolution of sustainable finance:** The concept of “sustainable finance”—more commonly referred to as “green finance” in China—has undergone an evolution process. Initially focused on environmental protection, its scope has broadened as China's priorities evolved, integrating more climate and environmental, social, and governance (ESG) factors. This shift reflects a progression from Chinese policy-driven initiatives to more internationally integrated practices. Today, the government lists green finance as one of the “five major financial pillars” to support Chinese modernization, alongside technology finance, inclusive finance, pension finance, and digital finance.<sup>11</sup>
- **Top-down and bottom-up approaches:** China's approach to greening the financial system reflects its administrative and institutional historical traditions, combining top-down policy direction with local-level implementation and piloting. For example, many regulatory measures are issued through administrative bodies as high-level policy instruments, rather than through the legislature as legal instruments. These high-level policy instruments provide strategic guidance and serve as reference points for provinces and municipalities to adapt and pilot for local contexts.

10 “Xi Announces China's 2035 Nationally Determined Contributions to Beef up Climate Response”, The State Council—The People's Republic of China, 25 September 2025, [english.gov.cn/news/202509/25/content\\_WS68d47dcac6d00ca5f9a066a5.html](https://english.gov.cn/news/202509/25/content_WS68d47dcac6d00ca5f9a066a5.html).

11 “Guiding Opinions of the National Financial Regulatory Administration on Doing a Good Job in the ‘Five Key Financial Pillars’ in the Banking and Insurance Industries (国家金融监督管理总局关于银行业保险业做好金融“五篇大文章”的指导意见)”, The State Council—The People's Republic of China, 2024, [gov.cn/zhengce/zhengceku/202405/content\\_6950223.htm](https://www.gov.cn/zhengce/zhengceku/202405/content_6950223.htm) (in Chinese).

## Investment-enabling taxonomies and green finance standards

- **Enabling environment:** The enabling environment in the Chinese context can be broadly summarized as comprising: 1) high-level policy instruments to align national financial sector actions; 2) standards and taxonomies to facilitate investments in the desired activities; 3) incentives and regulatory compliance mechanisms to mobilize capital; 4) local pilots to ensure that national instruments are fit for purpose and foster bottom-up innovation; and 5) cross-jurisdictional cooperation to ensure China's progress is aligned with international best practices.
- **Broadening scope of green finance:** Having invested heavily in renewable energy and green tech, China is additionally prioritizing industrial decarbonization, adaptation, and biodiversity protection. Its central bank has been leading the development of transition and biodiversity taxonomies (called "catalogues" in China) and piloting them in selected sectors and regions. The newly released "Green Finance Endorsed Project Catalogue" added green trade and green consumption categories as well as the transition of industries deploying clean energy and cutting-edge technologies. These developments suggest a gradual broadening of the scope of green finance in China.
- **Sustainability disclosure framework:** Recently updated corporate sustainability disclosure requirements by the Ministry of Finance and stock exchanges seek to strengthen market transparency and close gaps in data availability, adopting a "double materiality" approach that considers both financial and sustainability impacts. In line with China's stated objective of strengthening its financial system to support green and low-carbon development, further measures from the central government are expected to be introduced to advance the sustainable finance framework.

## Prudential regulation and monetary tools

- **Embedding sustainability in prudential regulation:** China has progressively integrated sustainability considerations into its prudential and supervisory frameworks, most notably through the assessment of banks' green finance performance. Given that many financial institutions of strategic importance are state-owned, regulators are able to influence market behavior by evaluating and benchmarking institutions' alignment with national low-carbon and green development objectives. In this context, the government's dual role as regulator and shareholder has facilitated the translation of policy priorities into financial sector practices.
- **Using monetary policy to scale green lending:** While prudential tools have created incentives for banks to better price climate-related risks and expand green credit, as evidenced by the growth in green loan and green bond issuance, structural monetary policy tools like the Carbon Emissions Reduction Facility (CERF) have complemented this by directly incentivizing investments in renewable energy and green tech. These practices may offer insights for other jurisdictions pursuing similar goals.

This policy brief serves as a short and accessible primer that highlights the key sustainability-oriented regulation and instruments that China has deployed.

# Introduction

China's banking system is emerging as a powerhouse for the country's green transition, channeling capital into environmental protection, energy transition, sustainable transport, and other sectors. China's banking sector accounts for over 90% of total financial asset holdings, making it the backbone of China's financial system<sup>12,13</sup> and underscoring its potential to finance the green transition.

Over the past 18 years, China has introduced a range of policies to incentivize and support sustainable finance, contributing to environmental protection, resource conservation, and climate mitigation, enabling the achievement of its 2030 renewable energy target for its Nationally Determined Contribution (NDC).<sup>14</sup> At the same time, the Chinese transition remains complex, with factors including economic diversification, energy security concerns, and the continued role of fossil fuels in certain regions and sectors.

Climate-related physical risks—such as flooding, droughts, and other extreme weather events<sup>15</sup>—as well as broader environment risks linked to pollution and ecosystem degradation may affect credit risk profiles, particularly in sectors like agriculture, real estate, and manufacturing that are more exposed to environmental disruptions.<sup>16</sup> Simultaneously, transition risks stemming from policy shifts, technology change and evolving market dynamics, in carbon-intensive sectors and global supply chains are increasingly considered by banks as part of long-term risk assessment and portfolio alignment.<sup>17</sup>

12 People's Bank of China, "Making China's Financial System Better Serve the Real Economy", *Keeping the Momentum: How Finance Can Continue to Support Growth in EMEs*, BIS Papers, no. 148 (September 2024), [bis.org/publ/bppdf/bispap148.htm](https://bis.org/publ/bppdf/bispap148.htm).

13 "As of the end of Q2 2025, the total RMB and foreign currency assets of China's banking institutions reached RMB 467.3 trillion, up by 7.9% year on year. Among those, assets of large commercial banks registered RMB 204.2 trillion, up by 10.4% year on year, and accounting for 43.7% of the total." "Supervisory Statistics of the Banking and Insurance Sectors 2025 Q2", National Financial Regulatory Administration, 15 August 2025, [nfra.gov.cn/en/view/pages/ItemDetail.html?docId=1222165&itemId=983](https://nfra.gov.cn/en/view/pages/ItemDetail.html?docId=1222165&itemId=983).

14 The Renewable Energy Institute. "China Surpasses 2030 Renewable Energy Goals Years Ahead of Schedule".

15 A report of the Ministry of Ecology and Environment states that in 2024, floods, droughts and other water and drought disasters caused 436 deaths and disappearances, with 7.24 million hectares of crops impacted and direct economic losses of 268 billion yuan (~USD 37.5 billion). *China's Progress Report on Adaptation to Climate Change (2024)* (中国适应气候变化进展报告 (2024)) (Ministry of Ecology and Environment of the People's Republic of China, 2025), [mee.gov.cn/xxgk2018/xxgk/xxgk06/202506/W020250624798282455900.pdf](https://mee.gov.cn/xxgk2018/xxgk/xxgk06/202506/W020250624798282455900.pdf) (in Chinese).

16 BCBS, *Climate-Related Risk Drivers and Their Transmission Channels* (Basel Committee on Banking Supervision, 2021), [bis.org/bcbs/publ/d517.htm](https://bis.org/bcbs/publ/d517.htm).

17 *A Spotlight on Emerging Approaches to Bank Transition Planning* (Deloitte, 2024), [iif.com/portals/0/Files/content/32370132\\_a\\_spotlight\\_on\\_emerging\\_approaches\\_to\\_bank\\_transition\\_planning\\_final\\_pdf-286671102.pdf](https://iif.com/portals/0/Files/content/32370132_a_spotlight_on_emerging_approaches_to_bank_transition_planning_final_pdf-286671102.pdf).

Amid these risks lies an opportunity: greening China’s financial system and mobilizing finance for climate and environmental protection is not only important for reducing social and economic risks and potential losses caused by climate change and environmental degradation, but also for helping to accelerate the country’s sustainable development path.

To realize this opportunity, China has incorporated the principles of sustainability (more commonly referred to as “ecological civilization”) into national development plans and key policy documents (see [Table 1](#) for a list of these policy instruments). The People’s Bank of China (PBoC), National Financial Regulatory Administration (NFRA) and its predecessors, and China Securities Regulatory Commission (CSRC), working with other ministries, have been driving the greening of China’s financial system—developing policy instruments and tools to guide and support China’s financial institutions with the aim of mobilizing finance for environmental protection, resource circularity, renewable energy, clean tech development and, more recently, biodiversity conservation and the transition of hard-to-abate sectors.

China’s economic development challenges shape its approach. Through poverty alleviation measures, China reduced the population living on less than USD 3.00 per day from 83% in 1990 to zero by 2021.<sup>18,19</sup> However, China remains a developing economy, according to the UN and World Bank definitions, with ongoing industrialization and urbanization and GDP per capita of USD 13,303 in 2024.<sup>20</sup> In terms of natural resource endowment, China is often described as “rich in coal, poor in oil, and deficient in natural gas”.<sup>21</sup> This heavy reliance on coal has shaped its transition strategy: the government seeks to expand renewable and alternative energy sources before scaling back coal capacity—sometimes referred to as a “build first, dismantle later” approach.<sup>22</sup> Due to these characteristics, China has taken an incremental approach to addressing climate change and harmonizing its regulations and standards with international practices, while highlighting financial inclusion and sustainability as key priorities in supporting the country’s development goals.

China’s low-carbon transition is gaining momentum on the power supply side, and the share of new energy installations surpassed the combined total of coal and gas power for the first time in 2024.<sup>23</sup> Despite these advances, the country’s energy sector remains coal-heavy, with coal supplying approximately 51% of China’s electricity.<sup>24</sup> China accounts

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18 World Bank and Development Research Center of the State Council, the People’s Republic of China, *Four Decades of Poverty Reduction in China: Drivers, Insights for the World, and the Way Ahead* (2022), [thedocs.worldbank.org/en/doc/bdadc16a4f5c1c88a839c0f905cde802-0070012022/original/Poverty-Synthesis-Report-final.pdf](https://thedocs.worldbank.org/en/doc/bdadc16a4f5c1c88a839c0f905cde802-0070012022/original/Poverty-Synthesis-Report-final.pdf).

19 “Country Profile: China”, World Bank Poverty & Inequality Platform, 2025, [pip.worldbank.org/country-profiles/CHN.8,14\]\]\], github.com/citation-style-language/schema/raw/master/csl-citation.json](https://pip.worldbank.org/country-profiles/CHN.8,14]]], github.com/citation-style-language/schema/raw/master/csl-citation.json)”}

20 “China”, World Bank Open Data, accessed 17 October 2025, [data.worldbank.org/country/china](https://data.worldbank.org/country/china).

21 In Chinese, it is expressed as “富煤、贫油、少气”.

22 China’s energy policy phrase “先立后破” (“Build before breaking” or “Establish first, dismantle later”) encapsulates the idea of establishing a robust low-carbon energy system before dismantling the fossil-fuel infrastructure, with the aim of ensuring a secure and reliable energy supply while accelerating the green transition.

23 “Policy Interpretation to Promote the Transformation and Upgrading of a New Generation of Coal and Electricity to Help High-Quality Construction of New Power System (Google Translate version from Chinese)”, National Energy Administration, 20 April 2025, [nea.gov.cn/20250420/c068f16deca9422bae827bb41698843c/c.html](https://nea.gov.cn/20250420/c068f16deca9422bae827bb41698843c/c.html).

24 Qi Qin and Lauri Myllyvirta, “Guest Post: Why China Is Still Building New Coal—and When It Might Stop.”

for nearly a third of current global emissions,<sup>25</sup> and new coal production capacity is still being added.<sup>26</sup>

In September 2025, the Chinese government unveiled its updated Nationally Determined Contribution, which aims to increase the country’s wind and solar power capacity while reducing economy-wide greenhouse gas (GHG) emissions, mainstreaming electric vehicle production and usage, and increasing forest coverage, along with other commitments.<sup>27</sup> While opinions differ regarding the rigor of China’s new NDC,<sup>28,29</sup> this recent update reflects China’s acknowledgement that increasing investment in renewable energy and other areas will strengthen its energy security, while enhancing sustainability will benefit its economy and society.

As China advances its sustainable development agenda, its policy and regulatory frameworks continue to evolve in relation to international best practices. In some areas, Chinese approaches have differed from commonly referenced international standards—sometimes reflecting more gradual alignment, and in other cases demonstrating ambition beyond international benchmarks.

This policy brief examines the evolving policy landscape in China across the dimensions of national ambition, the enabling policy environment, and prudential regulation—exploring how the country deploys various policy tools as it aims to steer its economy and society towards a sustainable future.

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25 White and Mooney, “Xi Jinping Sets out Conservative Climate Goal for China over next Decade”.

26 Yale E360, “China Allows New Coal Plants, but With More Limited Role”.

27 The State Council—The People’s Republic of China, “Xi Announces China’s 2035 Nationally Determined Contributions to Beef up Climate Response”.

28 “A New International Order Is Forming. Will China Make It “Green?””, Chatham House, 25 September 2025, [chathamhouse.org/2025/09/new-international-order-forming-will-china-make-it-green](https://www.chathamhouse.org/2025/09/new-international-order-forming-will-china-make-it-green).

29 Arendse Huld, “Breaking Down China’s 2035 Climate Pledges”, *China Briefing News*, 29 September 2025, [china-briefing.com/news/breaking-down-chinas-2035-climate-pledges/](https://china-briefing.com/news/breaking-down-chinas-2035-climate-pledges/).

# Part 1: China's national sustainable development ambitions and context

China's green finance agenda is a central component of its transition toward a low-carbon, sustainable, and inclusive economy, guided by the concept of "ecological civilization" and the "30–60 dual-carbon" targets: peaking carbon emissions by 2030 and achieving carbon neutrality by 2060. Sustainable development-related policies in China are initiated and implemented by the central government and its ministries through environmental legislation, executive orders, and other instruments. The Central Committee of the Communist Party of China (CPC), the State Council, and various central ministries play respective roles in shaping and enforcing these policies.

## 1.1 Embedding sustainability in China's national development model

China's overarching policy ambition is to align its economic development with environmental protection and long-term climate goals, through the concept of "ecological civilization".

This idea, rooted in traditional culture, contrasts with the history of environmental damage caused by rapid industrialization since the 1980s. By the 1990s, severe air pollution and ecological degradation prompted the government to strengthen legislation, including amendments to the Air Pollution Prevention and Control Law (1995, 2000, and 2015) and amendments to the Water Pollution Prevention and Control Law (1996, 2008, and 2017). China also released Agenda 21 (1994)—a white paper on population, environment, and development<sup>30</sup>—and joined global frameworks by signing the UN Framework Convention on Climate Change (UNFCCC) (1992) and the Kyoto Protocol (1998).

In 2007, China launched its first National Climate Change Program, setting an energy intensity reduction target of 20% by 2010 compared to 2005<sup>31</sup> and outlining mitigation and adaptation measures across multiple sectors. The 12<sup>th</sup> Five-Year Plan (2011–2015)

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30 "Report on 'China's Agenda 21'", Ministry of Ecology and Environment of the People's Republic of China, 22 September 1994, [english.mee.gov.cn/Events/Special\\_Topics/AGM\\_1/1994agm/meetingdoc94/201605/t20160524\\_345213.shtml](http://english.mee.gov.cn/Events/Special_Topics/AGM_1/1994agm/meetingdoc94/201605/t20160524_345213.shtml).

31 "Notice of the State Council on Issuing China's National Plan for Addressing Climate Change (国务院关于印发中国应对气候变化国家方案的通知)", The Government of the People's Republic of China, 8 June 2007, [gov.cn/zwjk/2007-06/08/content\\_641704.htm](http://gov.cn/zwjk/2007-06/08/content_641704.htm) (in Chinese).

introduced binding climate targets, stricter pollution control laws, and seven pilot carbon trading schemes that were later unified into a National Emissions Trading System (ETS).

In 2014, China and the US jointly announced their intended 2030 climate goals ahead of the 2015 Conference of the Parties to the UN Framework Convention on Climate Change (COP21). Also ahead of COP21, China released its first NDC, which explicitly framed addressing climate change as a key part of economic restructuring and sustainable development strategy.<sup>32</sup> In May 2015, the CPC Central Committee and the State Council jointly issued the “Opinions on Accelerating the Construction of Ecological Civilization”. The Opinions called for environmental protection, resource conservation, circular economy, and low-carbon development. This helped embed ecological values into national policy, culminating in the inclusion of “ecological civilization” in China’s constitution in 2018.<sup>33,34</sup> (See [Table 1](#) for a selection of high-level policy instruments of the CPC and the State Council.)

In 2020, at the UN General Assembly, President Xi Jinping announced China’s “dual carbon” goals: Peak carbon emissions by 2030 and reach carbon neutrality by 2060.<sup>35</sup> This marked a significant and strategic step in China’s climate action, integrating it into the overall framework of ecological civilization and the broader agenda of economic and social development,<sup>36</sup> signaling a whole-of-society endeavor to align economic development with low-carbon and sustainable growth.<sup>37</sup> To help achieve these goals, the government introduced multiple high-level policy frameworks and sectoral roadmaps—collectively termed the “1+N” policy system, including the 2021 CPC Central Committee and State Council-issued “Opinions on Completely, Accurately and Comprehensively Implementing the New Development Concept and Delivering Carbon Peaking and Carbon Neutrality”,<sup>38</sup> the 2021 State Council-issued “Action Plan for Carbon Dioxide Peaking before 2030”,<sup>39</sup>

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32 “Enhanced Actions on Climate Change: China’s Intended Nationally Determined Contributions”, The State Council—The People’s Republic of China, 1 July 2015, [english.gov.cn/archive/publications/2015/07/01/content\\_281475138245408.htm](http://english.gov.cn/archive/publications/2015/07/01/content_281475138245408.htm).

33 “Opinions of the CPC Central Committee and the State Council on Accelerating the Development of Ecological Civilization (中共中央 国务院关于加快推进生态文明建设的意见),” The State Council—The People’s Republic of China, May 5, 2015, [gov.cn/xinwen/2015-05/05/content\\_2857363.htm](http://gov.cn/xinwen/2015-05/05/content_2857363.htm) (in Chinese).

34 Arthur Hanson, *Ecological Civilization in the People’s Republic of China: Values, Action, and Future Needs*, no. 21, ADB East Asia Working Paper Series (ADB, 2019), [adb.org/sites/default/files/publication/545291/eawp-021-ecological-civilization-prc.pdf](http://adb.org/sites/default/files/publication/545291/eawp-021-ecological-civilization-prc.pdf).

35 Matt McGrath, “Climate Change: China Aims for ‘Carbon Neutrality by 2060’”, *BBC*, 22 September 2020, [bbc.com/news/science-environment-54256826](http://bbc.com/news/science-environment-54256826).

36 “Implementing the “Dual Carbon” Action and Building a Beautiful China (落实 ‘双碳’ 行动 建设美丽中国),” The State Council—The People’s Republic of China, 28 April, 2024, [gov.cn/yaowen/liebiao/202404/content\\_6948005.htm](http://gov.cn/yaowen/liebiao/202404/content_6948005.htm) (in Chinese).

37 Environmental Defense Fund and PRCEE, *China’s Policies and Actions on Carbon Peaking and Carbon Neutrality (2023)* (2024), [prcee.org/yjcg/yjbg/202403/W020240313623895148361.pdf](http://prcee.org/yjcg/yjbg/202403/W020240313623895148361.pdf).

38 “Opinions of the CPC Central Committee and the State Council on Fully, Accurately and Comprehensively Implementing the New Development Concept and Doing a Good Job in Achieving Carbon Peak and Carbon Neutrality (中共中央 国务院关于完整准确全面贯彻新发展理念做好碳达峰碳中和工作的意见),” The State Council—The People’s Republic of China, 21 September 2022, [gov.cn/zhengce/2021-10/24/content\\_5644613.htm](http://gov.cn/zhengce/2021-10/24/content_5644613.htm) (in Chinese).

39 “Full Text: Action Plan for Carbon Dioxide Peaking Before 2030”, The State Council—The People’s Republic of China, 27 October 2021, [english.gov.cn/policies/latestreleases/202110/27/content\\_WS6178a47ec6d0df57f98e3dfb.html](http://english.gov.cn/policies/latestreleases/202110/27/content_WS6178a47ec6d0df57f98e3dfb.html).

and the 2023 “Opinions on Comprehensively Promoting the Construction of a Beautiful China”,<sup>40</sup> which outlines a comprehensive strategy for green and low-carbon development.

A related suite of policies and implementation plans covering sectors such as energy, industry, agriculture, transportation, buildings, and infrastructure, among others was also developed (see [Box 1](#)).

Further, on 24 September 2025, China announced its revised NDC with economy-wide GHG emissions reduction of 7–10% below peak levels by 2035, as well as plans to bring non-fossil fuels in total energy consumption to over 30% and bring the installed total capacity of wind and solar power to 3,600 gigawatts—over six times the 2020 levels. Additional elements of the revised NDC include: increasing total forest stock volume to over 24 billion cubic meters; making “new energy vehicles the mainstream in the sales of new vehicles”; expanding the National Carbon Emissions Trading Market “to cover major high-emission sectors”; and establishing a “climate adaptive society”.<sup>41</sup>

A key feature of China’s governance model is its top-down approach in administrating social and economic affairs, due to its culture and historical tradition. As discussed in the following sections, national-level policies provide strategic direction and serve as a reference point for provinces and municipalities to issue supplementary measures and implement initiatives aligned with national priorities. At the same time, China’s governance model is also characterized by a tradition of bottom-up experimentation.

**Table 1:** A selection of high-level policy instruments of the Central Committee of the Communist Party of China (CPC) and the State Council (SC)

Name of instrument	Issuing body and year
China’s Action Plan for Sustainable Development in the Early 21st Century (中国21世纪初可持续发展行动纲要)	SC (2003)
China’s National Plan for Addressing Climate Change (中国应对气候变化国家方案)	SC (2007)
Strategy for Developing the Circular Economy and Action Plans (循环经济发展战略及近期行动计划)	SC (2013)
Opinions on Accelerating the Construction of Ecological Civilization (关于加快推进生态文明建设的意见)	CPC and SC (2015)
Overall Plan for the Reform of the Ecological Civilization System (生态文明体制改革总体方案)	CPC and SC (2015)
Opinions on Further Strengthening Biodiversity Conservation (关于进一步加强生物多样性保护的意見)	CPC and SC (2021)

40 MEE, “Opinions on Comprehensively Promoting the Construction of Beautiful China (中共中央 国务院关于全面推进美丽中国建设的意见)”, Ministry of Ecology and Environment of the People’s Republic of China, 11 January 2024, [mee.gov.cn/zcwj/zyygwj/202401/t20240111\\_1063458.shtml](http://mee.gov.cn/zcwj/zyygwj/202401/t20240111_1063458.shtml) (in Chinese).

41 The State Council—The People’s Republic of China, “Xi Announces China’s 2035 Nationally Determined Contributions to Beef up Climate Response”.

Name of instrument	Issuing body and year
Opinions on Completely, Accurately and Comprehensively Implementing the New Development Concept and Delivering Carbon Peaking and Carbon Neutrality (关于完整准确全面贯彻新发展理念 做好碳达峰碳中和工作的意见)	CPC and SC (2021)
Carbon Peaking Action Plan before 2030 (2030年前碳达峰行动方案)	SC (2021)
Human Rights Action Plan (2021–2025) (国家人权行动计划 (2021-2025))	SC (2021)
Opinions on Comprehensively Promoting the Construction of a Beautiful China (关于全面推进美丽中国建设的意见)	CPC and SC (2023)
Opinions on Comprehensively Accelerating the Green Transformation of Economic and Social Development (关于加快经济社会发展全面绿色转型的意见)	CPC and SC (2024)
Resolution on Further Deepening Reform Comprehensively to Advance Chinese Modernization (关于进一步全面深化改革推进中国式现代化的决定)	CPC (2024)
Comprehensive Rural Revitalization Plan (2024–2027) (乡村全面振兴规划 (2024—2027年))	CPC and SC (2025)
Guiding Opinions on Advancing the “Five Key Financial Pillars” (关于做好金融“五篇大文章”的指导意见)	SC (2025)
Opinions on Advancing Green and Low-Carbon Transition and Strengthening the Construction of the National Carbon Market (关于推进绿色低碳转型加强全国碳市场建设的意见)	CPC and SC (2025)

### Box 1: China’s Sectoral Climate Policies and Actions

After President Xi Jinping announced China’s “dual carbon” goals at the UN General Assembly in 2020, China developed its “1+N” policy architecture (a top-level strategic guideline plus a set of sectoral plans) to ensure concrete steps are taken towards the goals. Key documents include the “Action Plan for Carbon Dioxide Peaking before 2030” and ministerial policy documents that translate the 2030/2060 goals into industrial and socio-economic actions, which are called the “Ten Carbon Peaking Actions”: energy transition, energy efficiency, industrial decarbonization, construction decarbonization, low-carbon transportation, circular economy, technology innovation, carbon sink, social actions, and regional coordination.

Collectively, these actions aim to increase the share of non-fossil fuel primary energy consumption to approximately 25% and decrease CO<sub>2</sub> emission intensity by more than 65% compared with 2005 by 2030, and achieve the carbon peaking goal before 2030. The following table summarizes China’s sectoral climate targets and actions (post-2020) in the policies issued by various ministries, with some updates from China’s most recently announced NDC.

Sector	Key Targets/Actions <sup>42,43,44,45,46,47</sup>
Power	Non-fossil fuels portion to reach 30% of primary energy consumption by 2035; 3,600 GW solar & wind by 2035; stricter coal efficiency, cap on coal share; grid integration upgrades and power storage development, including large battery R&D support.
Industry (steel, cement, chemicals)	Steel to peak before 2030, raise scrap-based electric arc furnace share, promote carbon capture, utilization, and storage (CCUS) pilots in steel, cement, petrochemicals, and other industries; cement to adopt lower-carbon substitution for cement clinker and implement efficiency upgrades; chemical production to use more electricity and renewables; pilot use of hydrogen and CCUS for high-emission processes.
Transportation	New energy vehicles (NEVs) (electric vehicles [EVs], partial hybrid electric vehicles [PHEVs], and fuel cell electric vehicles [FCEVs]) to reach approximately 40% of new sales by 2030 and to become the mainstream in the sales of new vehicles by 2035; hydrogen pilot zones for heavy trucks; charging infrastructure expansion; “green” travel in cities with over 1 million people to comprise no less than 70% of total travel in those cities by 2030.
Buildings	Integrate solar photovoltaic, energy storage, DC distribution, and flexible electricity use into new buildings; renewable energy substitution rate in urban buildings to reach 8%; and rooftop solar photovoltaic coverage rate in new public and factory buildings to reach 50% by 2025.
Agriculture & Land (LULUCF)	Continue major afforestation programs and increase national forest coverage to 25% by 2030, and scale up total forest stock volume to over 24 billion cubic meters by 2035; promote low-carbon agricultural models such as photovoltaics on agricultural land (agrivoltaics) and offshore wind power combined with marine farming; research and deploy carbon-sink-enhancing agricultural technologies.
Markets & Finance	National emissions trading system (ETS) launched in 2021—gradually expanding its coverage; scaling green credit, green bonds, and disclosure standards in the financial sector.

42 The State Council—The People’s Republic of China, “Full Text: Action Plan for Carbon Dioxide Peaking Before 2030”.

43 *Industrial Sector Carbon Peaking Implementation Plan* (工业领域碳达峰实施方案), Joint Document No. 88 [2022] (Ministry of Industry and Information Technology, 2022), [gov.cn/zhengce/zhengceku/2022-08/01/content\\_5703910.htm](http://gov.cn/zhengce/zhengceku/2022-08/01/content_5703910.htm) (in Chinese).

44 *China’s Policies and Actions for Addressing Climate Change (2022)* (Ministry of Ecology and Environment of the People’s Republic of China, 2022), [english.mee.gov.cn/Resources/Reports/reports/202211/P020221110605466439270.pdf](http://english.mee.gov.cn/Resources/Reports/reports/202211/P020221110605466439270.pdf).

45 NDRC and MIIT, *Medium- and Long-Term Hydrogen Development Plan (2021–2035)* (氢能产业发展中长期规划(2021-2035年)) (National Development and Reform Commission, 2022), [ndrc.gov.cn/xxgk/zcfb/ghwb/202203/t20220323\\_1320038.html](http://ndrc.gov.cn/xxgk/zcfb/ghwb/202203/t20220323_1320038.html) (in Chinese).

46 “Notice from the State Council on Advancing the “Work Plan for Accelerating Energy Conservation and Carbon Reduction in the Construction Sector” Jointly Issued by the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development (国务院办公厅关于转发国家发展改革委、住房城乡建设部《加快推动建筑领域节能降碳工作方案》的通知\_其他\_中国政府网)”, The State Council—The People’s Republic of China, 12 March 2024, [gov.cn/zhengce/content/202403/content\\_6939606.htm](http://gov.cn/zhengce/content/202403/content_6939606.htm) (in Chinese).

47 The State Council—The People’s Republic of China, “Xi Announces China’s 2035 Nationally Determined Contributions to Beef up Climate Response”.

## 1.2 Embedding national sustainability ambitions into financial sector frameworks

China's National Committee of Experts on Climate Change has estimated that China needs to invest RMB 100 to 138 trillion (approximately USD 15.6–21.5 trillion)—equivalent to 2–2.5% of annual GDP—every year from 2020 to 2050 to achieve its goal of economy-wide carbon neutrality.<sup>48</sup> Meanwhile, China International Capital Corporation estimates that the energy, transport, and building sectors combined will require RMB 139 trillion (approximately USD 21.6 trillion) by 2060.<sup>49</sup> Depending on the parameters used, estimates often generate different numbers; however, it is clear that China requires massive investment to achieve its “dual carbon” targets.

Recognizing the role of its banking sector, since 2007, the Chinese government has released key policy papers and guidelines that specifically address the role of the financial sector in achieving China's overarching sustainability and climate goals. Described in [Table 2](#), these instruments form the foundation of China's sustainable finance policy landscape and regulatory frameworks to guide financial institutions in aligning with the country's “dual carbon” targets and “green and low-carbon development” aspiration.

The concept of “sustainable finance”—more commonly referred to as “green finance” in China—has undergone an evolution process. Initially focused on environmental protection, its scope has broadened as China has engaged more actively in developing climate policy, gradually seeking to align with international norms. Following the commitments to peak carbon emissions by 2030 and achieve carbon neutrality by 2060, green finance has expanded further to incorporate more environmental, social, and governance (ESG) factors. This shift reflects a progression from Chinese policy-driven initiatives to more internationally integrated practices.<sup>50</sup> Today, green finance is listed as one of the “five key financial pillars” to support Chinese modernization,<sup>51</sup> alongside technology finance, inclusive finance, pension finance, and digital finance.<sup>52</sup>

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48 “Carbon Neutrality to Cost 100 Trillion Yuan”, Ministry of Ecology and Environment of the People's Republic of China, 1 February 2021, [english.mee.gov.cn/News\\_service/media\\_news/202102/t20210201\\_819597.shtml](http://english.mee.gov.cn/News_service/media_news/202102/t20210201_819597.shtml).

49 CICC Research and CICC Global Institute, *Guidebook to Carbon Neutrality in China: Macro and Industry Trends under New Constraints* (2022), [link.springer.com/book/10.1007/978-981-16-9024-2](https://link.springer.com/book/10.1007/978-981-16-9024-2).

50 Yao Wang (ed. in chief), *China Green Finance Research Report (2024)* (中国绿色金融研究报告 (2024)) (IIGF, 2024), [iigf.cufe.edu.cn/zhongguolvsejinrongyanjiubaogao2024.pdf](http://iigf.cufe.edu.cn/zhongguolvsejinrongyanjiubaogao2024.pdf) (in Chinese).

51 In the Chinese narrative, the notion of “Chinese Modernization” (中国式现代化) has five characteristics: (1) a modernization for a huge population; (2) a modernization that achieves common prosperity for all; (3) a modernization that promotes both material and cultural-ethical advancement; (4) a modernization in which humanity and nature coexist harmoniously; and (5) a modernization that follows the path of peaceful development.

52 The State Council—The People's Republic of China, “Guiding Opinions of the National Financial Regulatory Administration on Doing a Good Job in the “Five Key Financial Pillars” in the Banking and Insurance Industries (国家金融监督管理总局关于银行业保险业做好金融“五篇大文章”的指导意见)”.

**Table 2:** Key policy instruments with direct impacts on green finance institutional development and green finance growth in China, in chronological order

Name of instrument	Issuing body and year	Key features/impacts
<b>Guidelines on Credit Work for Energy Conservation and Emission Reduction</b> (节能减排授信工作指导意见)	CBRC, 2007	Set out comprehensive requirements concerning the responsibilities of boards of directors and senior management of banking institutions, as well as internal processes and control mechanisms. Following the document's release, Chinese banking institutions began to establish a set of systems and mechanisms for green credits.
<b>Green Credit Guidelines</b> (绿色信贷指引)	CBRC, 2012	Encouraged banking financial institutions to issue loans to energy-saving, pollution control, and clean energy projects, and required them to heed environmental and social risks in lending activities.
<b>Green Bond Endorsed Project Catalogue</b> (绿色债券支持项目目录)	PBoC, first issued in 2015, updated in 2021	Defined eligible projects for green bond financing, with significant impacts on the growth of China's green bond market.
<b>Guiding Opinions on Establishing a Green Financial System</b> (关于构建绿色金融体系的指导意见)	PBoC, MOF, NDRC, MEP, CBRC, CSRC, and CIRC, 2016	Set the "green finance revolution" in motion by sending the policy signal to all financial sectors and requiring financial institutions to start practicing green finance.
<b>Notice on Matters Concerning Strengthening the Supervision and Management of the Duration Period of Green Financial Bonds</b> (关于加强绿色金融债券存续期监督管理有关事宜的通知)	PBoC, 2018	Required local branches of PBoC to supervise, verify, and report on the use of green bonds proceeds and their impact on climate and the environment in their respective jurisdictions.
<b>Green and Low-Carbon Transformation Industry Catalogue</b> (绿色低碳转型产业指导目录)	NDRC, first issued in 2019 and updated with 9 other ministries in 2024	Clarified eligible industries for green finance (not necessarily bonds); serves as a key industrial policy tool to guide investments toward sustainable industries.
<b>Guiding Opinions on Promoting Investment and Financing to Address Climate Change</b> (关于促进应对气候变化投融资的指导意见)	MEE, NDRC, PBoC, CBIRC, and CSRC, 2020	Conveys the shared expectation of the authorities in charge of environmental issues, economic reform, and finance to mobilize capital to fight climate change.  Encourages initiatives in areas of policy development, investment piloting, standards development, and international cooperation.

Name of instrument	Issuing body and year	Key features/impacts
<b>Measures for the Law-Based Disclosure of Enterprise Environmental Information</b> (企业环境信息依法披露管理办法)	MEE, 2021 (effective in Feb 2022)	Mandates key polluting and listed companies to disclose environmental information annually. Requirements cover emissions, resource use, compliance, carbon data, and environmental investments. It establishes uniform disclosure standards, enhances transparency, supports green finance, and strengthens regulatory oversight and public supervision.
<b>Green Finance Evaluation Plan for Banking Financial Institutions</b> (银行业金融机构绿色金融评价方案)	PBoC, 2021	Assesses and grades banks' overall green finance performance, including products such as green loans, green bonds, green securities, green insurance, green equity investment, green leasing, green trust, and green asset management.
<b>Green Finance Guidelines for the Banking and Insurance Industries</b> (银行业保险业绿色金融指引)	CBIRC, 2022	Extends "green finance" coverage from the banking sector alone to banking and insurance sectors, broaden the range of green finance products, and includes governance considerations—had previously included environmental and social.
<b>Opinions on Leveraging the Role of Green Finance to Serve the Construction of a Beautiful China</b> (关于发挥绿色金融作用服务美丽中国建设的意见)	PBoC, MEE, NFRA, and CSRC, 2024	Aims to strengthen support for priority sectors, enhance green financial services, diversify financial products, and reinforce implementation safeguards. Efforts will center on areas such as low-carbon development in key industries, pollution control, and ecological conservation and restoration.
<b>Guiding Opinions on the Banking and Insurance Industry to Deliver on the Five Key Financial Pillars</b> (关于银行业保险业做好金融“五篇大文章”的指导意见)	NFRA, 2024	Urges banks and insurance companies to align their efforts with the Five Major Articles (technology finance, green finance, inclusive finance, pension finance, and digital finance), aligned with the "Further Deepening Reform Comprehensively to Advance Chinese Modernization" decision.
<b>Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development</b> (关于进一步强化金融支持绿色低碳发展的指导意见)	PBoC, NDRC, MIIT, MOF, MEE, NFRA, and CSRC, 2024	Set the goal to build "an internationally leading financial support system for green and low-carbon development" in the next five years. In addition, it explicitly calls for integration of climate-related risks in prudential regulation for the first time.
<b>Sustainability Disclosure Standards for Business Enterprises—Basic Standard</b> (企业可持续披露准则—基本准则)	MOF, MOFA, NDRC, MIIT, MEE, MOFCOM, PBoC, SASAC, and NFRA, 2024	Require companies (including financial institutions) to disclose sustainability data with "double materiality" approach, which assesses sustainability factors' impacts on a firm's finance as well as on the socio-economic and ecological environment.

Name of instrument	Issuing body and year	Key features/impacts
<b>Implementation plan for high-quality development of green finance in the banking and insurance industries</b> (银行业保险业绿色金融高质量发展实施方案)	NFRA and PBoC, 2025	Direct green finance in banking and insurance sectors towards the green transition of energy and industrial systems, as well as environmental and biodiversity protection.
<b>Opinions on the Capital Market to Implement the Five Key Financial Pillars</b> (关于资本市场做好金融“五篇大文章”的实施意见)	CSRC, 2025	Require stock exchanges to support the development of Chinese companies in sectors of sci-tech research, green technology, digital technology, inclusive finance, and pension finance.
<b>Green Finance Endorsed Project Catalogue</b> (绿色金融支持项目目录)	PBoC, NFRA, and CSRC, 2025	Based on NDRC's 2024 green industry catalogue and PBoC's 2021 green bond catalogue, this new green finance catalogue aims to unify China's sustainable finance market by applying the same rules across all green finance products and aligning more closely with international standards.

Combined with the previously discussed overarching policies of the CPC Central Committee and the State Council, and the prudential regulations discussed in the following section, these ministry-level policies have provided direction for sustainable finance development in the country and prompted financial institutions to prioritize sustainable finance at a strategic level. In addition, the policies have outlined requirements for corporate governance, due diligence, stakeholder management, capacity building, information disclosure, and risk management processes and procedures.

A key feature of China's approach towards sustainable finance regulation is that many of its regulatory tools are not enacted through legislative processes, but come in the form of executive orders issued by administrative bodies such as the State Council and various ministries. These are typically non-binding or "quasi-regulatory" instruments but carry strong signaling power and direction-setting effects. They are often enforced through administrative measures or follow-up directives at both the ministerial and local levels. For example, PBoC issued "Guiding Opinions on Establishing a Green Financial System" in 2016 with six other ministries, which signaled the launch of the journey of greening the financial system. In order to implement the guidelines, PBoC issued the 2015 "Green Bond Endorsed Project Catalogue" (updated in 2021 together with CSRC and then expanded to "Green Finance Endorsed Project Catalogue" in 2025 with NFRA and CSRC), and assessed banks' sustainable finance performance through the "Green Finance Evaluation Plan for Banking Financial Institutions".

Often, a central government policy initiative is first piloted locally before it is scaled up at the national level. For example, China started its agricultural reform by piloting the Household Responsibility System in the late 1970s, using the Shenzhen Special Economic Zone to herald a nationwide opening up in the 1980s, and in the past eight

years, piloting sustainable finance in selected provinces and municipalities.<sup>53</sup> This piloting approach, tested by reformers in Chinese history,<sup>54</sup> not only gives the central government the opportunity to test its policy and tailor them to local needs, but also allow local jurisdictions to test innovative ideas and initiatives and feed back into national policies, as described in [Box 2](#).

## Box 2: Green Finance Pilots: Testbeds for Bottom-up Innovation

China launched its Green Finance Reform and Innovation Pilot Zones in 2017 as experimental platforms to test financial tools, regulatory approaches, and standards before scaling them nationally. The first wave covered eight municipalities across Zhejiang, Jiangxi, Guangdong, Guizhou, and Xinjiang, later joined by Lanzhou New Area in 2019. These locations were deliberately diverse—ranging from wealthy coastal financial hubs to less developed inland resource regions—to ensure policies could be stress-tested under different economic conditions.<sup>55</sup>

The piloting approach gave venues to local governments and financial institutions to introduce their innovations. For example, the city of Huzhou created a digital platform to assess corporate environmental performance, while Guangzhou and Shenzhen advanced green bond issuance and underwriting practices. A number of zones experimented with climate investment approaches such as ecology-oriented development project financing and the use of environmental rights as collaterals, expanding the toolkit of green financial products. Studies suggest that the pilots stimulated green lending, supported growth in labelled bond markets, and fostered firm-level green innovation.<sup>56</sup>

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53 *Building Capacity on Green Finance Through Reform and Innovative Pilot Zones: An Input Paper to the G20 SFWG* (Capacity Building Study Group of the Green Finance Committee of China Society for Finance and Banking, 2023), [g20sfwg.org/wp-content/uploads/2023/09/2023-Building-Green-Finance-Capacity-Through-Reform-and-Innovative-Pilot-Zones.pdf](https://g20sfwg.org/wp-content/uploads/2023/09/2023-Building-Green-Finance-Capacity-Through-Reform-and-Innovative-Pilot-Zones.pdf).

54 The policy piloting approach was used many times in Chinese history, such as the Salt Monopoly Reform pilot (758-761) in Tang Dynasty, the Green Sprouts Loan Policy (青苗法) pilot (1069–1070s) in Song Dynasty, the Single-Whip Tax Reform (一条鞭法) pilot (1580s) in Ming Dynasty, and the “Conversion of Corvée to Silver” (摊丁入亩) pilot (1720s) in Qing Dynasty.

55 “The Executive Meeting of the State Council Decided to Build a Green Finance Reform and Innovation Pilot Zone in 5 Provinces (Districts)”, Green Finance China, 15 June 2017, [greenfinance.org.cn/displaynews.php?id=1113](http://greenfinance.org.cn/displaynews.php?id=1113) (in Chinese).

56 David von Eiff, *Green Finance Policy Evolution in China and the Impact of Pilot Zones: Huzhou Case Study* (CFA Institute Research & Policy Center, 2025), [rpc.cfainstitute.org/sites/default/files/docs/research-reports/green-finance-huzhou-report\\_online.pdf](https://rpc.cfainstitute.org/sites/default/files/docs/research-reports/green-finance-huzhou-report_online.pdf).

The pilots also saw bottom-up standard-setting. Cities like Huzhou and Guangzhou developed their own local catalogues and transition plans and introduced guidelines for evaluating green projects, green banks, and green enterprises, many of which fed into national discussions on disclosure and transition finance standards. Incentives are put into place to encourage such practices. These local experiments were complemented by centrally guided pilots, ensuring consistency with national sustainability goals while allowing flexibility for local conditions. While central government sets overarching policy objectives, regions could tailor credit incentives or guarantee mechanisms to their industrial structures, balancing regional equity.<sup>57</sup>

In short, China's pilot programme works as a two-way mechanism: top-down strategic design creates testbeds and incentives, and bottom-up municipal experimentation generates methods and products. Successful local practices (Huzhou's catalogues and platforms; Shenzhen's disclosure law; local bond and underwriting practices in Pearl River and Yangtze Delta pilots) were propagated upward and outward into national catalogues, disclosure guidance, and regulatory templates—producing a policy pathway designed to be both nationally coherent and regionally adaptable.<sup>58</sup>

Chinese banks also engage in international sustainable finance initiatives such as the United Nations Principles for Responsible Banking (PRB) platform (see [Box 3](#)), which can help them align with and innovate beyond national frameworks.

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57 Huaiming Wang *et al.*, "Green Finance Pilot Reform and Corporate Green Innovation", *Frontiers in Environmental Science* 11 (October 2023), [doi.org/10.3389/fenvs.2023.1273564](https://doi.org/10.3389/fenvs.2023.1273564).

58 David von Eiff, *Green Finance Policy Evolution in China and the Impact of Pilot Zones: Huzhou Case Study*.

### Box 3: Principles for Responsible Banking<sup>59</sup>

The Principles for Responsible Banking (PRB) platform was set up by UNEP Finance Initiative to accelerate a positive global transition for people and the planet. With over 345 signatory banks representing over half of the global banking industry, the Principles are the world's foremost sustainable banking framework. In China, there are 28 signatories, including all the major state-owned and shareholding banks, accounting for 48.8% of China's total banking assets (RMB 228 trillion out of 467 trillion).

The six principles of the PRB require that signatory banks must:

- Align their strategy and business with the Paris Agreement, the Sustainable Development Goals, and other relevant national and regional frameworks, such as the Kunming-Montreal Global Biodiversity Framework;
- Set targets to continuously increase their positive impacts while reducing their negative impacts on people and the environment;
- Work responsibly with their clients and customers to encourage sustainable practices and enable activities that create a shared prosperity between current and future generations;
- Work with other stakeholders to achieve society's sustainability goals;
- Cultivate a culture of responsible banking and set up the corresponding governance; and
- Periodically review their performance on the above and disclose the results.

Working with civil society organizations, PRB signatory banks identified four strategic priorities to deliver impactful outcomes:

- Climate change—supporting the transition towards net-zero and climate resilient development;
- Nature and biodiversity—supporting the halt and reversal of nature loss;
- Healthy and inclusive economies—supporting socio-economic action that leaves no one behind; and
- Human rights—supporting the protection of universal human rights.

59 *Excerpted and paraphrased from* UNEP FI, "Principles for Responsible Banking", United Nations Environment Programme Finance Initiative, accessed 17 October 2025, [unepfi.org/banking/bankingprinciples/](https://unepfi.org/banking/bankingprinciples/).

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## Part 2: Investment-enabling taxonomies and standards

A conducive enabling environment is essential for scaling up sustainable finance and aligning capital flows with transition and climate objectives, as China has recognized through its actions to support the establishment and growth of the green financial system by promoting a variety of investment-enabling tools. One of the most notable early actions was the release of the 2016 “Guiding Opinions on Establishing a Green Financial System”, issued by PBoC and six other commissions and ministries, and informed by several prior studies.<sup>60</sup> The opinions advocated for green credits, green bonds, green insurance, green funds, and green indices, emphasized the role of emissions trading and environmental disclosure, and highlighted the value of fiscal, tax, and risk-sharing incentives.

Over the past decade, these initial proposals have been implemented and further expanded. Today, China’s enabling environment for green finance encompasses a combination of policies and regulatory frameworks, taxonomies and disclosure standards, innovative financial instruments, fiscal and risk-sharing incentives, punitive measures for regulatory violations, market infrastructure like the emissions trading system, and sectoral and corporate transition pathways. Coordinated administration in the government, pilot zones at the local level, cross-jurisdictional cooperation, and capacity-building initiatives for enterprises have also been important elements of this environment.

Previous sections have addressed policy frameworks, transition pathways, and pilot zones. The following discussion focuses on two additional components of the enabling environment:

- Taxonomy frameworks to establish a classification system for defining how economic activities can be considered environmentally sustainable.
- Corporate disclosure frameworks to enhance transparency and comparability of corporate disclosures, transition plans, and value chains.

While each of these instruments serves a distinct purpose, their effectiveness depends on and informs each other.

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60 These reports are: *Greening China’s Financial System*, jointly produced by the Development Research Centre of the State Council, the International Institute for Sustainable Development, and the UNEP Inquiry into the Design of a Sustainable Financial System in 2015; *Establishing China’s Green Financial System*, produced by the People’s Bank of China and the UNEP Inquiry in 2015; and *Green Finance Reform and Green Transformation*, produced by the Green Finance Taskforce of the China Council for International Cooperation for Environment and Development (CCICED) in 2015.

## 2.1 Sustainable finance taxonomies

Sustainable finance taxonomies are classification systems that define how economic activities align with pre-defined sustainability objectives. They provide a common language for sustainable finance, and foster consistency across financial markets.<sup>61</sup>

Between 2013 and 2024, China developed and updated two national “catalogues” that perform similar functions to taxonomies:

- The “Green Bond Endorsed Project Catalogue”,<sup>62</sup> issued by PBoC (2015, updated 2021);
- The “Green and Low-Carbon Transformation Industry Catalogue”<sup>63</sup> issued by National Development and Reform Commission (NDRC) (2019, updated 2024).<sup>64</sup>

In June 2025, PBoC, NFRA, and CSRC jointly announced the new “Green Finance Endorsed Project Catalogue” (2025 Edition), which went into effect in October 2025. This catalogue is designed to unify China’s sustainable finance market by applying the same rules across green finance products (except for stock listing and issuance at the exchanges). It seeks to “enhance the liquidity of the green finance market, improve the efficiency of green financial asset management, and reduce the cost of project identification”. The government has emphasized that the transition from the two previous catalogues will be gradual.<sup>65</sup> The 2025 catalogue updates and consolidates earlier catalogues, notably excluding all fossil fuel-related activities—where earlier catalogues had included “clean utilization of coal”—while adding categories on green trade and green consumption categories, as well as the transition of industries deploying clean energy and cutting-edge technologies. The new catalogue reflects efforts to harmonize domestic standards with international taxonomies and underscores the growing role of sustainable supply chains in China’s green transition and trade policies.

For context, the first two catalogues built on earlier steps to green China’s banking system. In 2007, China Banking Regulatory Commission (CBRC) issued the “Guidelines on Credit Work for Energy Conservation and Emission Reduction”, followed by environmental supervision guidance from the Environmental Protection Administration. CBRC later issued the 2012 “Green Credit Guidelines”, the first comprehensive policy framework for promoting green credit in China, and in 2013, it launched the “Green Credits Statistics System”, requiring 21 major Chinese banks to report green credit data with defined metrics.<sup>66</sup> These initiatives laid the foundation for the catalogues issued by PBoC and NDRC.

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61 Adapted from UNEP FI, *Sustainable Finance Taxonomies in ASEAN: Towards Regional Harmonization*, n.d., accessed 22 May 2025, [unepfi.org/regions/asia-pacific/sustainable-finance-taxonomies-in-asean-towards-regional-harmonization/](https://unepfi.org/regions/asia-pacific/sustainable-finance-taxonomies-in-asean-towards-regional-harmonization/).

62 In Chinese: 《绿色债券支持项目目录》

63 In Chinese: 《绿色低碳转型产业指导目录》

64 Formerly known as the Catalogue of Green Industries.

65 “Notice of the PBOC, NFRA and CSRC on Issuing the Green Finance Endorsed Project Catalogue (2025 Edition)”, People’s Bank of China, 27 June 2025, [pbc.gov.cn/en/3688110/3688172/5552468/5787363/index.html](http://pbc.gov.cn/en/3688110/3688172/5552468/5787363/index.html).

66 “Green Credit Data from 21 Major Chinese Banks from 2013 to June 2017 (2013年至2017年6月国内21家主要银行绿色信贷数据)”, National Financial Regulatory Administration, 9 February 2018, [nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=171047](http://nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=171047) (in Chinese).

PBoC's green bond catalogue has been bond-focused and more outward-looking while NDRC's industry catalogue has served as a tool for China's domestic green industrial policy. These catalogues span a wide range of sustainability-related activities, including renewable energy, energy efficiency, environmental protection, ecological conservation, circular economy, green transport, infrastructure, and agriculture, among others. The 2021 green bond catalogue added emerging technologies such as carbon capture, utilization, and storage (CCUS), while the 2024 industry catalogue introduced new categories like green hydrogen, green logistics, green services, and transition of hard-to-abate sectors. These two catalogues played important roles in facilitating the issuance of green bonds and green loans, respectively.

China's pursuit of cross-border alignment predates the 2025 catalogue: in 2021, PBoC and the European Commission jointly released the "Common Ground Taxonomy—Climate Change Mitigation" (CGT), through the International Platform on Sustainable Finance. The CGT listed a subset of economic activities that align across China's catalogues and the EU Taxonomy that make substantial contribution to climate change mitigation to facilitate cross-border financing.<sup>67</sup> In 2024, China, the EU, and Singapore launched the "Multi-Jurisdiction Common Ground Taxonomy" (M-CGT), enhancing the interoperability across the three taxonomies, and mapping 110 activities across eight focus sectors, versus the bilateral EU-China CGT (2022 version), which identified 72 activities across seven focus sectors.<sup>68</sup>

China's domestic green finance catalogues, along with its participation in multi-jurisdictional taxonomy initiatives, have improved clarity on what constitutes sustainable economic activities. This greater definitional consistency has strengthened the enabling environment for green finance, helping to mobilize and align capital towards the country's green transition, the expansion of clean technologies, and the broader development of its sustainable finance market.

The introduction of these instruments, alongside the 2016 "Guiding Opinions on Establishing a Green Financial System" coincided with rapid market growth. By the end of 2024, China's cumulative issuance of green and social bonds reached RMB 4 trillion (USD 555.5 billion), equal to 11.7% of the global total, a twelve-fold increase since 2016 with a compound annual growth rate (CAGR) of about 32%.<sup>69</sup> As of mid-2025, outstanding green loans in domestic and foreign currency reached RMB 42.39 trillion (~USD 5.95 trillion), a 715% increase since 2014 with a CAGR of about 21%.<sup>70</sup> Taken together, this suggests that the enabling environment provided by policy and standards has been conducive to the growth of green bonds and green loans. This trajectory is expected to continue with the piloting of new instruments such as China's transition finance taxonomy and biodiversity

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67 "Common Ground Taxonomy Published as Part of the PBoC and EU Commission Co-Led Work", People's Bank of China, n.d., [pbc.gov.cn/en/3688006/3995557/4382112/index.html](http://pbc.gov.cn/en/3688006/3995557/4382112/index.html).

68 "The International Platform on Sustainable Finance Presents the Multi-Jurisdiction Common Ground Taxonomy to Enhance Interoperability of Taxonomies across EU, China and Singapore", European Commission, 14 November 2024, [finance.ec.europa.eu/document/download/0e76f418-792a-4ede-b382-eb3cfcbbd633\\_en?filename=241113-press-release-multi-jurisdiction-common-ground-taxonomy\\_en.pdf](https://finance.ec.europa.eu/document/download/0e76f418-792a-4ede-b382-eb3cfcbbd633_en?filename=241113-press-release-multi-jurisdiction-common-ground-taxonomy_en.pdf).

69 Climate Bonds Initiative and CIB Research, *China Sustainable Debt State of the Market 2024* (CBI, 2025), [climatebonds.net/files/documents/publications/Climate-Bonds\\_China-State-of-the-market-briefing-2024\\_EN\\_July-2025.pdf](https://climatebonds.net/files/documents/publications/Climate-Bonds_China-State-of-the-market-briefing-2024_EN_July-2025.pdf).

70 Calculated based on data obtained from PBoC and CBI reports.

taxonomy (see [Box 4](#)), developed by PBoC and being piloted in selected municipalities and regions.

#### **Box 4: New Developments in China’s Sustainable Finance Landscape**

Since 2020, China’s sustainable finance landscape has moved beyond the focus on “green” towards a broader framework that includes transition finance and biodiversity finance. This shift responds to the challenge of decarbonizing hard-to-abate industries and the growing urgency of ecological protection. With the 2025 “Implementation Plan for High-quality Development of Green Finance in the Banking and Insurance Industries”,<sup>71</sup> NFRA and PBoC called on financial institutions in the banking and insurance sectors to direct their funds towards the green transition of energy and industrial systems as well as environmental and biodiversity protection.

On the transition finance side, while the revised “Green Finance Endorsed Project Catalogue” that took effect in October 2025 includes, for the first time, a category on low-carbon transition of key industrial sectors, PBoC has been preparing transition finance catalogues for key emitting sectors. At the local level, governments have pioneered their own catalogues as well as PBoC’s. The city of Huzhou issued the country’s first municipal taxonomy in 2022, outlining 106 decarbonization pathways across carbon-intensive industries.<sup>72</sup> The province of Hebei developed guidelines for the steel industry, identifying 176 eligible technologies such as hydrogen-based steelmaking and electric arc furnaces.<sup>73</sup> Other regions, including Shanghai, Chongqing, Huzhou, and Tianjin, have also piloted tailored transition finance catalogues.<sup>74</sup>

71 NFRA and PBoC, “Implementation Plan for High-quality Development of Green Finance in the Banking and Insurance Industries (银行业保险业绿色金融高质量发展实施方案)”, National Financial Regulatory Administration, 17 January 2025, [nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1199877&itemId=928](http://nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1199877&itemId=928) (in Chinese).

72 David von Eiff, *Green Finance Policy Evolution in China and the Impact of Pilot Zones: Huzhou Case Study*.

73 “A Green Steel Decade for China: Hebei Province’s New Transition Finance Guidelines Are Great!”, *Climate Bonds Initiative*, 11 July 2024, [climatebonds.net/news-events/blog/green-steel-decade-china-hebei-provinces-new-transition-finance-guidelines-great](https://climatebonds.net/news-events/blog/green-steel-decade-china-hebei-provinces-new-transition-finance-guidelines-great).

74 Mengdi Yue and Christoph Nedopil, *China Green Finance Status and Trends 2024–2025* (Griffith Asia Institute, Griffith University and Green Finance & Development Center, FISF, 2025), [doi.org/10.25904/1912/5786](https://doi.org/10.25904/1912/5786).

Progress on biodiversity finance has been more gradual but is gaining momentum. The Ministry of Ecology and Environment’s (MEE) “Biodiversity Conservation Strategy and Action Plan (2023–2030)” (中国生物多样性保护战略与行动计划(2023–2030年)) calls for incorporation of biodiversity into bond catalogues and encourages financial institutions to integrate ecological factors into lending and investment. At the local level, pilots in Shanghai<sup>75</sup> and other regions have tested biodiversity-linked financing solutions. The province of Zhejiang has introduced a standard for financial institutions on biodiversity risk management, providing tools for assessing and mitigating ecological impacts in investment decisions.<sup>76</sup>

Together, these developments demonstrate China’s ambition to build a comprehensive sustainable finance architecture—one that not only channels capital into green sectors but also supports industrial transition and ecosystem protection.

## 2.2 Corporate sustainability disclosure

While taxonomies can guide finance towards sustainable activities, corporate sustainability disclosure focuses on how companies manage, measure, and integrate sustainability. Stronger disclosure frameworks can enhance transparency, improve data comparability, and enable better-informed decisions by financial institutions.<sup>77</sup> Enhanced reporting practices can also strengthen corporate sustainability performance and investor confidence: by the end of 2024, 32% of listed firms in Shanghai and Shenzhen received upgraded MSCI ESG ratings due to improved transparency.<sup>78</sup>

In this context, China’s three major stock exchanges each released new sustainability reporting guidelines in April 2024. Accordingly, listed companies in specified indexes are mandated to disclose sustainable development reports. Employing a “double materiality” lens, requirements include identifying sustainability topics with significant impacts on enterprise value (financial materiality) and on the economy, society, and the environment (impact materiality)—and disclosing processes for determining each type of materiality. In line with international practices embodied in Task Force on Climate-related Financial Disclosures (TCFD), International Sustainability Standards Board (ISSB), and European Sustainability Reporting Standards (ESRS), companies with sustainable development issues deemed both financially material and impact-material are asked to disclose around four core areas: governance; strategy; impact, risk, and opportunity management; and

75 “Shanghai Biodiversity Finance Policy and Institutional Review”, BIOFIN, 14 November 2024, [biofin.org/knowledge-product/shanghai-biodiversity-finance-policy-and-institutional-review](https://biofin.org/knowledge-product/shanghai-biodiversity-finance-policy-and-institutional-review).

76 “New Standard in China Launched for Financial Institutions on Biodiversity Risk Management”, Wildlife Conservation Society, 14 April 2023, [newsroom.wcs.org/News-Releases/articleType/ArticleView/articleId/18916/New-Standard-in-China-Launched-for-Financial-Institutions-on-Biodiversity-Risk-Management.aspx](https://newsroom.wcs.org/News-Releases/articleType/ArticleView/articleId/18916/New-Standard-in-China-Launched-for-Financial-Institutions-on-Biodiversity-Risk-Management.aspx).

77 Adapted from UNEP FI and WWF, *Navigating Nature-Related Regulations for Banks: Mapping the Policy Landscape* (2024), [unepfi.org/industries/banking/navigating-nature-policy/](https://unepfi.org/industries/banking/navigating-nature-policy/).

78 Zhou Lanxu, “Mainland Stock Exchanges Issue New Sustainability Disclosure Guidelines”, ChinaDaily, 6 September 2025, [chinadaily.com.cn/a/202509/06/WS68bb93b8a3108622abc9f327.html](https://chinadaily.com.cn/a/202509/06/WS68bb93b8a3108622abc9f327.html).

metrics and targets.<sup>79,80</sup> The requirements cover sustainability issues ranging from climate change to ecosystem protection, supply chain management, and other topics.<sup>81</sup>

In parallel to the regulatory measures introduced by the stock exchanges, the Ministry of Finance (MOF) finalized its corporate sustainability disclosure standard—the “Sustainability Disclosure Standards for Business Enterprises—Basic Standard (Trial)”<sup>82</sup> at the end of 2024. As a foundation for other sectoral standards, it put forward general requirements for sustainability information disclosure by Chinese enterprises.<sup>83</sup> Additional components will be released in the coming years; one current sector-specific example is the “Sustainability Disclosure Standards for Business Enterprises No. 1—Climate”, released in April 2025 for consultation.<sup>84</sup>

The stock exchanges guidelines and MOF’s Basic Standard are both broadly aligned with the ISSB disclosure framework, which requires companies to disclose data related to governance, strategy, risk and opportunity management, and metrics and targets. Based on its socio-economic characteristics and policy goals, China’s disclosure frameworks take the “double materiality” approach outlined previously.

Implementing these sustainability disclosure standards requires overcoming challenges such as data availability and quality, which have affected financial institutions’ transparency efforts. Due to these challenges, government agencies and regulators have been hesitant to mandate large-scale ESG reporting except for large-cap or dual-listed companies. However, China plans to expand the coverage gradually and achieve a nationwide unified mandatory ESG disclosure system by 2030, extending to both listed and non-listed companies.<sup>85</sup> Recent actions by MOF and the stock exchanges are helping establish a national disclosure culture, paving the way for sector-specific standards that improve data quality.<sup>86</sup>

China’s carbon market will serve as an additional platform to enhance information disclosure. In March 2025, China’s National Carbon Market expanded from power generation alone to three additional carbon-intensive sectors: steel, cement, and aluminum smelting. Approximately 3,500 entities with annual GHG emissions of 26,000 tons

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79 “Policy Briefing: China’s Sustainability Reporting for Listed Companies”, Principles for Responsible Investment, 29 November 2024, [unpri.org/china-policy/policy-briefing-chinas-sustainability-reporting-for-listed-companies/.article](https://unpri.org/china-policy/policy-briefing-chinas-sustainability-reporting-for-listed-companies/.article).

80 “Notice on Public Comment on the Guidelines for the Self-Regulatory Regulation of Listed Companies of the Shanghai Stock Exchange—Sustainable Development Report (Trial) (Draft for Comment) (in Chinese)”, Shanghai Stock Exchange, 8 February 2024, [sse.com.cn/lawandrules/publicadvice/c/c\\_20240208\\_5735507.shtml.9,29\]\]](https://sse.com.cn/lawandrules/publicadvice/c/c_20240208_5735507.shtml.9,29]]), [github.com/citation-style-language/schema/raw/master/csl-citation.json](https://github.com/citation-style-language/schema/raw/master/csl-citation.json)”}

81 Principles for Responsible Investment, “Policy Briefing: China’s Sustainability Reporting for Listed Companies”.

82 Ministry of Finance of the People’s Republic of China, “Sustainability Disclosure Standards for Business Enterprises—Basic Standard (Trial) (企业可持续披露准则—基本准则(试行))”, 2024, [kjs.mof.gov.cn/zhengcefabu/202412/P020241216565879245839.pdf](https://kjs.mof.gov.cn/zhengcefabu/202412/P020241216565879245839.pdf) (in Chinese).

83 Giulia Interesse. 2024. “China Unveils Basic Standards for Corporate ESG Disclosure.” China Briefing News, December 23. [china-briefing.com/news/china-unveils-basic-standards-for-corporate-sustainability-esg-disclosure/](https://china-briefing.com/news/china-unveils-basic-standards-for-corporate-sustainability-esg-disclosure/).

84 Giulia Interesse, “China Unveils Basic Standards for Corporate ESG Disclosure”, *China Briefing News*, 23 December 2024, [china-briefing.com/news/china-unveils-basic-standards-for-corporate-sustainability-esg-disclosure/](https://china-briefing.com/news/china-unveils-basic-standards-for-corporate-sustainability-esg-disclosure/).

85 Giulia Interesse, “China Unveils Basic Standards for Corporate ESG Disclosure”.

86 UNEP FI, “China Embarks on a Journey of ESG Disclosure: 2024 Progress and Focus for 2025”, *UN Environment Programme Finance Initiative*, 7 January 2025, [unepfi.org/industries/banking/china-embarks-on-a-journey-of-esg-disclosure/](https://unepfi.org/industries/banking/china-embarks-on-a-journey-of-esg-disclosure/).

CO<sub>2</sub> equivalent or more are now covered, accounting for 8 billion tons CO<sub>2</sub>e or 60% of China's total emissions.<sup>87,88</sup> In August 2025, the Central Committee of the CPC and the State Council released the “Opinions on Advancing Green and Low-Carbon Transition and Strengthening the Construction of the National Carbon Market”. The opinions call for gradual expansion of the carbon market coverage, diversification of participants and instruments, innovation of market-based mechanisms, and improvement of the institutional system. The objective is for the National Carbon Market to cover all major industrial emission sectors and for the voluntary carbon market to cover all key areas by 2027. By 2030, the aim is to establish a credible, transparent, unified, and internationally aligned GHG emissions trading market.<sup>89</sup>

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87 *Progress Report of China's National Carbon Market (2025)* (Ministry of Ecology and Environment of the People's Republic of China, 2025), [xcoss.henan.gov.cn/typtfile/20251009/1613827be7d04b2aaa0cfc06b84f458e.pdf](https://xcoss.henan.gov.cn/typtfile/20251009/1613827be7d04b2aaa0cfc06b84f458e.pdf).

88 Arendse Huld, “China Carbon Trading Emissions Cap Signals Shift to Absolute Limits”, *China Briefing News*, 2 October 2025, [china-briefing.com/news/china-carbon-trading-emissions-cap/](https://china-briefing.com/news/china-carbon-trading-emissions-cap/).

89 “Opinions of the CPC Central Committee and the State Council on Promoting Green and Low-Carbon Transformation and Strengthening the Construction of the National Carbon Market (中共中央办公厅 国务院办公厅关于推进绿色低碳转型加强全国碳市场建设的意见),” The State Council—The People's Republic of China, August 25, 2025, [gov.cn/zhengce/202508/content\\_7037717.htm](https://gov.cn/zhengce/202508/content_7037717.htm) (in Chinese).

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# Part 3: Integrating sustainability considerations into prudential regulation and monetary policy

Since 2012, China’s central bank and financial regulators, working with functional ministries, have been promoting green finance as a tool to mitigate financial and economic stability risks from environmental degradation and climate change and to support the transition to a more sustainable future.<sup>90</sup>

Among its actions, China has taken steps to integrate climate-related risks across its prudential regulatory regime—largely aligned with the Basel Framework—and deployed monetary instruments to encourage sustainable development. The following section describes China’s regulatory and monetary policy architecture and related policy actions in more detail.

## 3.1 China’s prudential regulation architecture

In the past decade, in response to market conditions, financial risks, and the need for coordinated oversight, China has made significant reforms to its financial regulatory structure. In 2018, CBRC and China Insurance Regulatory Commission (CIRC) merged to become China Banking and Insurance Regulatory Commission (CBIRC) to reduce regulatory arbitrage and improve oversight of interconnected risks.<sup>91</sup> In 2023, a new ministry-level organization—the National Financial Regulatory Administration (NFRA)—was established to take over the regulatory responsibilities of CBIRC. Accordingly, regulatory responsibilities were reassigned among PBoC, NFRA, and China Securities Regulatory Commission (CSRC). PBoC oversees monetary policy and financial stability, while the NFRA oversees consumer protection and microprudential supervision of banking and insurance institutions. The CSRC regulates the capital markets (stocks, bonds, and derivatives). The Central Financial Commission, which was established in 2023, oversees

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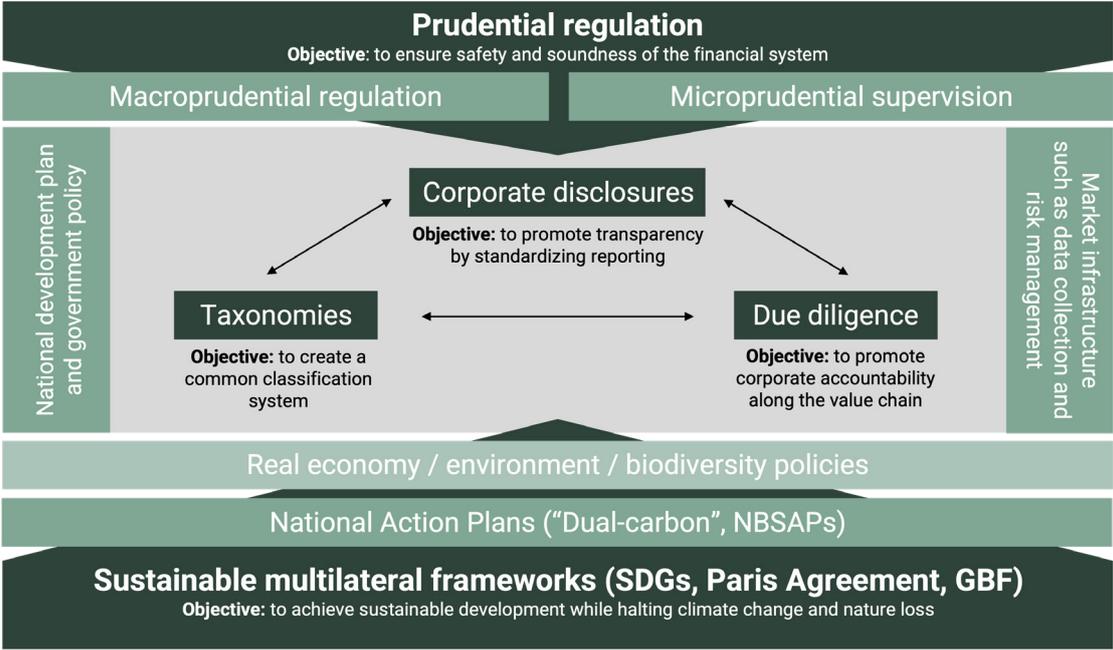
90 For example, in 2012, China Banking Regulatory Commission (CBRC) was a founding member of the Sustainable Banking and Finance Network, a global knowledge platform for financial market regulators and banking associations from emerging markets. PBoC jointly initiated and co-chaired the G20 Green Finance Study Group in 2016, which later became the G20 Sustainable Finance Working Group. PBoC was also a founding member of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) in 2017, making it one of the first major emerging market central banks to join.

91 Baogang Guo, “Revitalizing the Chinese Party-State: Institutional Reform in the Xi Era”, *China Research Center*, 9 September 2019, [chinacenter.net/2019/china\\_currents/18-1/revitalizing-the-chinese-party-state-institutional-reform-in-the-xi-era/](https://chinacenter.net/2019/china_currents/18-1/revitalizing-the-chinese-party-state-institutional-reform-in-the-xi-era/).

these institutions under the direction of the CPC Central Committee and provides top-level planning and coordination.

Chinese financial regulators have broadly adopted the principles of the Basel Committee on Banking Supervision (BCBS),<sup>92</sup> known as the Basel Framework, which promotes a forward-looking and risk-based approach to banking supervision. The Basel Framework seeks to address the resilience of individual financial institutions via three pillars:

- Pillar 1: Minimum regulatory requirements for bank capital,
- Pillar 2: Supervisory review of banks’ capital adequacy and risk management, and
- Pillar 3: Public disclosure requirements for banks to promote market discipline.



**Figure 1:** A conceptual framework of the climate-related policy landscape for banks<sup>93</sup>

92 The Basel Committee on Banking Supervision started the effort to mitigate systemic financial risks by addressing capital adequacy and credit risks in banking financial institutions in the late 1980s. The risk management framework it created is called the Basel Capital Accord, which has been updated twice. After the 2008 financial crisis, BCBS released an updated framework known as Basel III. It consists of three pillars as described in the paper.

93 Adapted from UNEP FI and WWF, *Navigating Nature-Related Regulations for Banks*.

## 3.2 China's integration of climate-related risk into prudential regulation

Similar to other central banks in emerging markets, the People's Bank of China (PBoC), China's central bank, has the mandate to safeguard financial stability as well as to promote economic growth.<sup>94</sup> This enables PBoC to take measures to mitigate climate—and nature—related risks that might pose material risks to financial institutions and may affect the stability of the broader financial system.

### 3.2.1 Macroprudential regulation

In 2021, PBoC issued the “Guidelines on Macroprudential Policies”,<sup>95</sup> outlining objectives, risk assessment methodologies, policy tools, and governance. These guidelines set macroprudential goals to prevent systemic financial risks like procyclicality and contagion, enhance financial system resilience, and reduce the likelihood of crises.<sup>96</sup> Although the Guidelines did not specifically mention climate risk, they laid the foundation for the later integration of climate considerations into prudential regulation, such as conducting macro-level climate-related stress testing.

That same year, PBoC conducted its first pilot climate stress test with 23 banks, covering thermal power, steel, and cement sectors,<sup>97</sup> followed by a 2022 climate stress test covering eight high-emitting sectors and focusing on the impact of increases in carbon emission costs.<sup>98</sup> Following these exercises, PBoC included a dedicated “Exploring Climate Risk Stress Tests” section in its 2022 “China Monetary Policy Implementation Report”.<sup>99</sup> It acknowledged data limitations and methodological gaps, and clarified that results were not yet policy-binding but would inform future enhancements.<sup>100</sup> Subsequent regulatory guidance strives to refine the methodologies for assessing climate-related vulnerabilities.<sup>101</sup>

In 2024, PBoC and other ministries issued the “Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development”, building on the 2016 “Guiding Opinions on Establishing a Green Financial System”.<sup>102</sup> This guidance marks China's first explicit call for integrating climate risks into macroprudential regulation. It provides

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94 “Climate-Related Financial Risks: Analysis Based on Central Bank Mandates (气候相关金融风险—基于央行职能的分析),” People's Bank of China, 2020, [pbc.gov.cn/en/3935690/3689029/3982923/4142124/index.html](http://pbc.gov.cn/en/3935690/3689029/3982923/4142124/index.html) (in Chinese).

95 In Chinese: 《宏观审慎政策指引(试行)》

96 *Guidelines on Macro-Prudential Policies (Trial)* (People's Bank of China, 2021), [pbc.gov.cn/en/3688235/3688414/4015732/4460131/2022012716183040404.pdf](http://pbc.gov.cn/en/3688235/3688414/4015732/4460131/2022012716183040404.pdf).

97 *China Monetary Policy Report Q4 2021* (People's Bank of China, 2022), [pbc.gov.cn/en/3688229/3688353/3688356/4271098/4515014/2022032411414559365.pdf](http://pbc.gov.cn/en/3688229/3688353/3688356/4271098/4515014/2022032411414559365.pdf).

98 *China Financial Stability Report 2023* (Financial Stability Analysis Group of the People's Bank of China, 2024), [pbc.gov.cn/en/3688235/3688414/3710021/4756457/5456682/2024091016085420990.pdf](http://pbc.gov.cn/en/3688235/3688414/3710021/4756457/5456682/2024091016085420990.pdf).

99 In Chinese: 《中国货币政策执行报告》

100 *China Monetary Policy Report Q4 2021*.

101 NFRA and PBoC, “Implementation Plan for High-quality Development of Green Finance in the Banking and Insurance Industries (银行业保险业绿色金融高质量发展实施方案)”.

102 “Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development (关于进一步强化金融支持绿色低碳发展的指导意见),” People's Bank of China, April 10, 2024, [pbc.gov.cn/goutongjiaoliu/113456/113469/5325946/index.html](http://pbc.gov.cn/goutongjiaoliu/113456/113469/5325946/index.html) (in Chinese).

direction for financial institutions to support green and low-carbon development and incentivizes regular reporting on high-carbon asset-related risks. The guidelines promote the use of stress testing and scenario analysis for climate risk assessments at the systemic level.

### Macroprudential credit allocation policies

In parallel, China has relied on macroprudential credit allocation policies that go beyond risk monitoring to actively steer credit flows toward national transition priorities. Recognizing that green lending may carry different risk profiles compared to carbon-intensive sectors,<sup>103</sup> since 2018, PBoC has incorporated green loan issuance into its assessment of deposit-taking banks. This evolved in 2021 into a broader evaluation framework—the “Green Finance Evaluation Plan for Banking Financial Institutions”—which assesses and grades banks’ overall green finance performance. The scope has expanded to cover green finance products such as green loans, green bonds, green securities, green insurance, green equity investment, green leasing, green trust, and green asset management. The assessment exercise currently covers 24 major banking institutions (three policy banks, six state-owned commercial banks, nine joint-stock commercial banks, and six local commercial banks) at the national level and more than 3,000 financial institutions at the local level.<sup>104</sup> The evaluation criteria combine quantitative metrics and qualitative analysis. Results feed into financial institution ratings and inform the central bank’s macroprudential oversight.<sup>105,106</sup> PBoC’s quarterly assessments and public reporting encouragement created incentives for banks to scale up green finance.

## 3.2.2 Microprudential supervision

The following section details the integration of climate considerations into China’s microprudential regulatory measures, as they relate to the Basel Framework, especially in the areas of supervisory review (Pillar 2) and market discipline (Pillar 3). Adjustments to capital requirements (Pillar 1) have not yet been made, reflecting the broader global complexities of integrating climate and nature-related factors into risk weights within prudential regulation, due in part to data limitations and methodological complexities.<sup>107</sup>

### Supervisory review and stress testing

Pillar 2 of the Basel Framework provides a broad supervisory toolkit designed to ensure that financial institutions effectively identify, manage, and mitigate a wide range of risks beyond minimum regulatory capital requirements (Pillar 1). These tools include comprehensive risk assessments, internal governance reviews, and tailored supervisory

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103 *Adapting Central Bank Operations to a Hotter World: Reviewing Some Options* (Network for Greening the Financial System, 2021), [ngfs.net/en/publications-and-statistics/publications/adapting-central-bank-operations-hotter-world-reviewing-some-options](https://ngfs.net/en/publications-and-statistics/publications/adapting-central-bank-operations-hotter-world-reviewing-some-options).

104 According to PBoC Announcement [2025] No. 3, the Green Finance Evaluation Plan for Banking Financial Institutions (PBoC Doc [2021] No. 142) was discontinued at the end of 2024, and was replaced by the Green Finance Evaluation Plan for Financial Institutions (PBoC Doc [2024] No. 240).

105 “Green Finance Evaluation Scheme for Banking Financial Institutions (银行业金融机构绿色金融评价方案)”, People’s Bank of China, 27 May 2021, [gov.cn/zhengce/zhengceku/2021-06/11/content\\_5616962.htm](http://gov.cn/zhengce/zhengceku/2021-06/11/content_5616962.htm) (in Chinese).

106 “Ten Highlights in Chinese Green Finance: 2021 in Retrospect (2021年我国绿色金融十大亮点回看)”, CIB Research, 31 December 2021, [app.cibresearch.com/shareUrl?name=000000007dfb15f0017e0e2545c15ea4](http://app.cibresearch.com/shareUrl?name=000000007dfb15f0017e0e2545c15ea4) (in Chinese).

107 NGFS, “Monetary Policy and Climate Change—Key Takeaways from the Membership Survey and Areas for Further Analysis”, Network for Greening the Financial System, July 2023, [ngfs.net/en/publications-and-statistics/publications/monetary-policy-and-climate-change-key-takeaways-membership-survey-and-areas-further-analysis](https://ngfs.net/en/publications-and-statistics/publications/monetary-policy-and-climate-change-key-takeaways-membership-survey-and-areas-further-analysis).

actions. In China, scenario analysis and stress testing have become widely adopted tools for evaluating the resilience of banks and the financial system to climate-related risks. This aligns with trends across the Asia-Pacific (APAC) region, where many regulators have already conducted climate stress tests or are planning to do so.<sup>108</sup>

The “Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development”, issued by PBoC and other ministries in 2024, contains important measures. Banking financial institutions are encouraged to use stress testing and scenario analysis to assess their climate resilience, and to incorporate climate-related risks into their risk control systems to improve corporate governance. The guidance also calls for the development of a transition finance standard, GHG protocols, and information disclosure guidelines for different categories of financial institutions.

As discussed in the previous section, since 2018 PBoC has been using the “Green Finance Evaluation Plan for Banking Financial Institutions” to assess banks’ performance on upscaling green business. In 2022, CBIRC issued the “Green Finance Guidelines for the Banking and Insurance Industries”,<sup>109</sup> significantly updating the 2012 “Green Credit Guidelines” of the China Banking Regulatory Commission (CBRC).<sup>110</sup> The new guidelines extend coverage from the banking sector alone to the banking and insurance sectors, broaden the range of green finance products, and deepen the focus from environmental and social (ES) to include governance considerations (the “G” in ESG). They establish clear expectations for governance and organizational management, policy frameworks and capacity building, investment and financing process management, internal control, and information disclosure, emphasizing the strategic imperative for financial institutions to develop green finance.

In February 2025, NFRA and PBoC jointly released the policy instrument “Implementation Plan for High-Quality Development of Green Finance in the Banking and Insurance Industries”. The plan directs finance to the transition of energy and industrial systems as well as environmental and biodiversity protection. It also calls for banking and insurance financial institutions to reduce the carbon emissions of their operations and portfolios and “effectively respond to climate risks” by deploying scenario analysis, stress testing, and data modeling.<sup>111</sup>

Together, these supervisory instruments align with Pillar 2 of the Basel Framework. Rather than adjusting risk-weighted capital requirements, they represent supervisory review and guidance mechanisms aimed at strengthening institutions’ risk management capabilities, governance, and resilience to climate-related financial risks. This approach—tailored to

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108 David Carlin *et al.*, *A Comprehensive Review of Global Supervisory Climate Stress Tests* (United Nations Environment Programme Finance Initiative, 2024), [unepfi.org/themes/climate-change/a-comprehensive-review-of-global-supervisory-climate-stress-tests/](https://unepfi.org/themes/climate-change/a-comprehensive-review-of-global-supervisory-climate-stress-tests/).

109 In Chinese: 《银行业保险业绿色金融指引》. English article from China’s State Council: “Guidelines in Place to Support Green Finance”, The State Council—The People’s Republic of China, 8 June 2022, [english.gov.cn/policies/policywatch/202206/08/content\\_WS629fe148c6d02e533532bd53.html](https://english.gov.cn/policies/policywatch/202206/08/content_WS629fe148c6d02e533532bd53.html).

110 Christoph Nedopil Wang, *Interpretation: New CBIRC “Green Finance Guidelines for the Banking and Insurance Industry” – Green Finance & Development Center*, 14 July 2022, [greenfdc.org/interpretation-new-cbirc-green-finance-guidelines-for-the-banking-and-insurance-industry/](https://greenfdc.org/interpretation-new-cbirc-green-finance-guidelines-for-the-banking-and-insurance-industry/).

111 NFRA and PBoC, “Implementation Plan for High-quality Development of Green Finance in the Banking and Insurance Industries (银行业保险业绿色金融高质量发展实施方案)”.

China's regulatory environment—combines quantitative assessments with qualitative oversight to foster a sound and sustainable financial system.

### **Information disclosure as market discipline**

Climate-related prudential disclosure (Pillar 3) measures currently implemented in China include incorporating recommendations from international frameworks such as TCFD, now embedded into the International Sustainability Standards Board (ISSB)'s International Financial Reporting Standards (IFRS). In China, as with some other APAC jurisdictions, such requirements also blend supervisory reporting (regulator-facing) and public disclosures (market-facing). As discussed in section 2.2, China is transitioning towards mandatory disclosures, particularly for large banks and listed companies.<sup>112</sup>

In 2021, PBoC released a standard titled “Guidelines for Environmental Information Disclosure for Financial Institutions”.<sup>113</sup> Aligned with Pillar 3 of the Basel Framework, the standard outlines the processes, principles, elements, and formats of environmental information disclosure (including GHG emissions) that banks, insurers, asset managers, and funds should follow. While relatively concise, the standard touches upon all the major elements of disclosure found in TCFD, including GHG emissions. It preceded those in the 2023 ISSB IFRS standards—namely: strategy, governance, risks and opportunities, and metrics and targets. In addition to environmental impacts (including GHG emissions and emission reductions) from their own operations, financial institutions are encouraged to disclose the environmental impacts from their lending and investment activities.<sup>114</sup>

Also in 2021, PBoC issued another standard titled “Technical Guide for Carbon Accounting in Financial Institutions (Trial Version)”<sup>115</sup> to guide financial institutions in their carbon accounting and reporting exercise. The guide provides a methodology for quantifying carbon emissions from financial institutions' operations as well as from financing activities.

Although PBoC has issued guidelines encouraging financial institutions to strengthen disclosure of environmental and climate-related information, including exposure to high-emission sectors, the practice of reporting financed emissions remains a challenging task, largely due to data availability constraints.<sup>116</sup> With the Ministry of Finance and the stock exchanges having recently released the previously discussed corporate sustainability reporting standards, it is expected that the quality and coverage of underlying data will improve, which should enable more comprehensive financed-emissions disclosure over the coming years.

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112 “Bank Regulation And Disclosure To Foster Climate-Related Risk Analysis”, S&P Global, 3 October 2022, [spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101567158](https://spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101567158).

113 *Guidelines on Environmental Information Disclosure for Financial Institutions* (People's Bank of China, 2021), [chinadevelopmentbrief.org/wp-content/uploads/2021/08/Guidelines-for-financial-institutions-environmental-information-disclosure.pdf](https://chinadevelopmentbrief.org/wp-content/uploads/2021/08/Guidelines-for-financial-institutions-environmental-information-disclosure.pdf).

114 *Guidelines on Environmental Information Disclosure for Financial Institutions*.

115 In Chinese: 《金融机构碳核算技术指南(试行)》

116 NGFS, *Final Report on Bridging Data Gaps* (Network for Greening the Financial System, 2022), [ngfs.net/system/files/import/ngfs/medias/documents/final\\_report\\_on\\_bridging\\_data\\_gaps.pdf](https://ngfs.net/system/files/import/ngfs/medias/documents/final_report_on_bridging_data_gaps.pdf).

### 3.3 China's integration of climate-related risk into monetary policy

PBoC has made use of structural monetary policy instruments to support green and low-carbon development. For example, since 2021, PBoC has operated the “Carbon Emissions Reduction Facility” (CERF), a structural monetary policy tool designed to channel funds towards clean energy, energy conservation and environmental protection, and carbon emission reduction technology. Under the Facility, financial institutions<sup>117</sup> issuing eligible carbon emission reduction loans can apply for central bank funding at preferential rates while committing to provide related emissions data and certain public disclosures.<sup>118</sup> Green finance experts in China hold that CERF's preferential rate helped lower banks' capital cost, incentivized banks to extend green loans, and reduced the borrowing entity's financial cost.<sup>119</sup> By the end of 2024, CERF had supported an estimated RMB 1.3 trillion (USD 203 billion) in green loans, associated with annual reductions of around 200 million tons of carbon emissions.<sup>120</sup> Due to its positive emission reduction impacts, the CERF has been extended to 2027.<sup>121</sup>

With advances in China's economic structuring and the green transition, decarbonizing the hard-to-abate sectors is becoming a priority. In June 2025, PBoC announced that Shanghai would pilot further innovations in structural monetary policy tools, including expanding the CERF to selected transition finance sectors and local industries.<sup>122</sup>

China's structural monetary policy instruments, such as the CERF, complement the Basel prudential framework. While the Basel Framework has not yet introduced explicit Pillar 1 capital requirements that differentiate risk weights for emission-intensive sectors, climate considerations are increasingly being integrated through supervisory review, stress testing, and disclosure under Pillars 2 and 3.<sup>123,124,125</sup> These prudential measures aim to ensure that banks hold sufficient capital and manage climate-related financial risks whereas structural monetary policy instruments provide targeted incentives that reduce the cost of capital for green investments, thereby promoting credit allocation toward low-carbon

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117 These financial institutions include 21 national financial institutions, some foreign financial institutions, and local corporate financial institutions.

118 “People's Bank of China Officials Answer Reporters' Questions on Carbon Emission Reduction Support Tools (人民银行有关负责人就碳减排支持工具答记者问),” People's Bank of China, November 8, 2021, [gov.cn/zhengce/2021-11/08/content\\_5649851.htm](http://gov.cn/zhengce/2021-11/08/content_5649851.htm) (in Chinese).

119 CIB Research, “Ten Highlights in Chinese Green Finance: 2021 in Retrospect (2021年我国绿色金融十大亮点回看).”

120 Data provided by People's Bank of China.

121 “The People's Bank of China and the Ministry of Ecology and Environment Held a Major Meeting to Extend the Implementation of Carbon Emission Reduction Support Tools until 2027 (央行、生态环境部重磅会议 延续实施碳减排支持工具到2027年),” *Sina*, January 8, 2025, [finance.sina.com.cn/jjxw/2025-01-08/doc-inehmtv8060171.shtml](http://finance.sina.com.cn/jjxw/2025-01-08/doc-inehmtv8060171.shtml) (in Chinese).

122 “The People's Bank of China Announced That It Will Implement Eight Policy Measures (中国人民银行宣布将实施八项政策举措),” 18 June 2025, [gov.cn/lianbo/bumen/202506/content\\_7028551.htm](http://gov.cn/lianbo/bumen/202506/content_7028551.htm) (in Chinese).

123 BCBS, *Principles for the Effective Management and Supervision of Climate-Related Financial Risks* (Basel Committee on Banking Supervision, 2022), [bis.org/bcbs/publ/d532.pdf](http://bis.org/bcbs/publ/d532.pdf).

124 BCBS, *The Role of Climate Scenario Analysis in Strengthening the Management and Supervision of Climate-Related Financial Risks* (Basel Committee on Banking Supervision, 2024), [bis.org/bcbs/publ/d572.pdf](http://bis.org/bcbs/publ/d572.pdf).

125 BCBS, *A Framework for the Voluntary Disclosure of Climate-Related Financial Risks* (Basel Committee on Banking Supervision, 2025), [bis.org/bcbs/publ/d597.pdf](http://bis.org/bcbs/publ/d597.pdf).

sectors. Taken together, prudential regulation and monetary policy operate through different but complimentary channels through which climate-related financial risks and transition objectives are being incorporated into China’s financial system. Internationally, the integration of climate considerations into monetary policy remains at an early stage, as demonstrated by a survey conducted by Network for Greening the Financial System (NGFS) in 2022,<sup>126</sup> but China’s practices could offer potential learnings in this emerging area.

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126 NGFS, “Monetary Policy and Climate Change—Key Takeaways from the Membership Survey and Areas for Further Analysis”.

# Conclusion

China's national green finance ambition, green finance regulation, and enabling environment have grown rapidly over the past 18 years. The government and financial regulators' policy instruments and regulatory tools have formed a holistic and multilayered system that is based on the concept of "ecological civilization" and characterized by a mix of historically steeped administrative approaches and innovative experimentation, focusing on both "green and low-carbon" growth and socioeconomic development. With directions and incentives to enable risk management and large-scale sustainable investment, China has risen to be a global leader in renewable energy generation and clean tech product manufacturing.

For China to reach its targets to peak carbon emissions by 2030 and achieve carbon neutrality by 2060, implementation of the government's most recent suite of policy instruments will be crucial. Equally important is capacity building for financial institutions and corporations to develop and implement their transition plans. China has continued to reaffirm its resolution to take proactive actions to mitigate climate change and pursue a green transition, including through its most recently announced Nationally Determined Contribution.<sup>127,128,129</sup> The country has also laid the groundwork for acceleration in standards development and implementation in areas of transition finance, nature finance, GHG accounting, and information disclosure in the coming years, which will support the full adoption of "double materiality": socio-environmental impact and financial materiality.

China's policy and regulatory actions, and creation of an enabling environment that aims to protect the environment and mitigate climate change, have sought to steer the economy away from heavy reliance on natural resources towards more innovation and capital-driven growth, reflecting broader ambitions for a more sustainable, inclusive, and equitable development model. With the government's relatively stable policy environment, multi-pronged sustainable finance agenda, and alignment with international standards, China is well positioned to continue its trajectory of green and low-carbon development.

127 Jiayi Xu, "Full Text: Address by Vice-Premier Ding Xuexiang's at World Economic Forum Annual Meeting 2025", ChinaDaily, 22 January 2025, [chinadaily.com.cn/a/202501/22/WS679043d8a310a2ab06ea8736.html](https://chinadaily.com.cn/a/202501/22/WS679043d8a310a2ab06ea8736.html).

128 "Remarks by H.E. Xi Jinping President of the People's Republic of China at the Leaders Meeting on Climate and the Just Transition\_Ministry of Foreign Affairs of the People's Republic of China", Ministry of Foreign Affairs—People's Republic of China, 23 April 2025, [fmprc.gov.cn/eng/xw/zyxw/202504/t20250423\\_11602660.html](https://fmprc.gov.cn/eng/xw/zyxw/202504/t20250423_11602660.html).

129 The State Council—The People's Republic of China, "Xi Announces China's 2035 Nationally Determined Contributions to Beef up Climate Response."

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