Early Warning System

ADB-50096-002

Air Quality Improvement in the Greater Beijing-Tianjin-Hebei Region--China National Investment

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Quick Facts

Countries	China
Specific Location	Beijing, Hebei, Henan, Inner Mongolia, Liaoning, Shandong, Shanxi, Tianjin
Financial Institutions	Asian Development Bank (ADB)
Status	Closed
Bank Risk Rating	U
Voting Date	2016-12-12
Borrower	China National Investment and Guaranty Corporation, State Development & Investment Corporation
Sectors	Agriculture and Forestry, Energy, Finance, Transport
Investment Type(s)	Loan
Investment Amount (USD)	$ 499.60 million
Project Cost (USD)	$ 2,137.10 million

Project Description

The proposed project will establish a dedicated green financing platform for this purpose which will overcome the three barriers mentioned above (limited commercial bank financing, lack of incentive structures, and the lack of strategy for pollution control). The proposed Green Financing Platform (GFP) will introduce innovative financial instruments, recommended in the recently issued Green Financing Guidelines by China Banking Regulatory Commission and NDRC, to mobilize private and social capital for green investments. The proposed financing facility will offer a variety of financial products, which may include: (i) debt financing with limited recourse to fixed asset collateral; (ii) loss guarantee support to low-carbon development, energy saving, and environmental improvement projects for easier access to commercial bank financing; and (iii) mezzanine financing in the form of subordinate debt or preference share investments in promising SMEs, etc. This proposed project will also introduce international experience and bring advance technologies to the greater BTH region to help industries become low-carbon, low-emission and efficient green industries, thereby improving the air quality.

The proposed project builds on the policy actions initiated in Hebei Province under the Policy Based Loan (PBL) for Beijing-Tianjin-Hebei (BTH) Air Quality Improvement Hebei Policy Reforms Program, approved by Asian Development Bank (ADB) in 2015. The PBL included policy actions supporting (i) adjustment of the energy structure, (ii) promotion of public transportation, (iii) reduction of seasonal biomass burning and promotion of clean energy in rural area, (iv) capacity development in environmental monitoring, administration and supervision, and (v) employment promotion for inclusive industrial transformation. The proposed project will further (i) strengthen and complement implementation of these policy actions throughout the greater Beijing-Tianjin-Hebei region (hereinafter referred to as BTH region), and (ii) accelerate air quality improvements in a sustainable manner. In particular, it will address the critical need to provide more efficient and effective credit access to enterprises and project developers to stimulate actions on these policy actions. The intervention will be in the core areas for air quality improvement with significant co-benefits of carbon dioxide (CO2) emission reductions to help the region simultaneously achieve both objectives of better air quality and low-carbon development.

The BTH region is one of the most important economic regions in the PRC, with more than a third of the country's gross domestic product (GDP). But this region also consistently experiences poor air quality. In 2013, the Government of the PRC promulgated its first Comprehensive Action Plan for Air Pollution Prevention and Control (CAAP) 2013 2017 to help improve air quality in the core BTH region. But the BTH air quality is still far below national and World Health Organization standards. Since BTH's air pollution problem is transboundary, an integrated approach is required to tackle the air pollution issues in the BTH region. The approach includes advanced and effective pollution control measures with efficient coordination among BTH, stricter environmental policy and regulation, innovative financing mechanisms, and a robust results monitoring and verification system.

In parallel with the efforts to control air pollution and respond to environmental degradation, the PRC government is committed to peak its CO2 emission by 2030. Maintaining sustainable economic development while also undertaking low-carbon transformation and fixing environmental degradation is challenging. In order to succeed, a set of complementary policies is needed to improve air quality (by reducing coal and other fossil fuel consumption), abate CO2 emissions, and foster green growth. The Government's policy framework for climate change, National Plan for Addressing Climate Change (2014-2020) was issued in 2014, and stresses the importance of mitigating climate change through a holistic and integrated approach, including improving energy efficiency, optimizing the energy consumption structure, restructuring the industrial sector, and restoring the ecological system and protecting the environment.

According to the People's Bank of China, an annual investment of $330 billion in each of the next five years would be needed for green growth in order to meet the environmental targets announced by the Ministry of Environment. Based on a report prepared by the Clean Air Alliance of China, implementation of CAAP for core BTH region will need direct investment of $37.8 billion. As of 2013 and 2014, the dedicated financial support from the central government was only $0.76 billion and $1.52

Early Warning System Project Analysis

The ADB categorized the project E&S risks as 'FI'.

Investment Description

- Asian Development Bank (ADB)

Counterpart: US$ 1327.5 Million

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Bank of Beijing Co. Ltd. (Financial Intermediary)
- Bank of Communications Financial Leasing Co., Ltd. (Financial Intermediary)
- China National Investment & Guaranty Corporation (Financial Intermediary)
- Ping An Bank Co. Ltd. (Financial Intermediary)
- State Development & Investment Corporation Ltd (Financial Intermediary)

Private Actors Description

As stated by Bloomberg, Ping An Bank Co., Ltd. provides commercial banking services. The Company offers deposit services, loan services, bill services, settlement services, credit card services, international banking, online banking, and other related services. Ping An Bank provides services in China.

Bank of Beijing Co., Ltd. operates as a commercial bank. The Company offers deposits, loans, settlement, bill discounting, government bonds underwriting, trade finance, investment banking, wealth management, asset custody, and fund services. Bank of Beijing provides services for enterprises and individuals.

State Development & Investment Corp.,Ltd. engages in electricity generation. The Company operates coal power, hydropower, wind power, and other power generation plants. State Development & Investment also offers trading, financial services, bioenergy, big data, environmental protection, and other services.

China National Investment And Guaranty Corporation provides investment services. The Company offers capital investment, investment planning, investment consulting, and other services. China National Investment And Guaranty also operates guarantee, asset management, and other businesses.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Bank of Beijing Co. Ltd.	Investor	Finance
-	-	-	-	Huaxia Bank	Investor	Finance

Contact Information

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ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

Bank Documents

- Jia Kuai Da Jing Jin Ji Di Qu Kong Qi Zhi Liang Gai Shan De Lu Se Rong Zi Ping Tai : Xiang Mu Shu J [Original Source]
- Project Administration Manual [Original Source]
- Project Disclosure PDF
- Report and Recommendation of the President [Original Source]

Media

- ADB Approves Second Loan of €458 Million to Help PRC Improve Air Quality in Greater Beijing Area

Other Related Projects

- ADB-50096-001 Green Financing Platform for Accelerated Air Quality Improvement in Greater Beijing-Tianjin-Hebei
- ADB-50096-003 Strengthening Capacity in the Implementation of the Green Financing Platform for the Greater Beijing