

# Green finance is important for the development of Shanghai as an international financial centre



By Sheng Songcheng

**A**gainst the backdrop of China's aim to achieve carbon peaking by 2030 and carbon neutrality by 2060, green finance has evolved from a popular research field into a real project with immediate impact. Green finance refers to the finance services provided for economic activities that support environmental improvement, deal with climate change, and use resources in an economical and effective way. Related activities include investing and financing, project operation and risk management of projects in the fields such as environmental protection, energy saving, clean energy, green transport and green construction.

Green finance not only provides broad incremental markets for financial assets, but is also becoming a new direction for the development of Shanghai as an international financial centre.

## Committed to Developing a World-class Financial Centre

Guided by a philosophy of innova-

tion, co-ordination, greenness, openness and sharing, seven provinces and cities – including Shanghai – have kicked off trials of carbon emissions trading. At the same time, the Guangdong-Hong Kong-Macao Greater Bay Area has also rolled out green finance programmes. Going forwards, Shanghai should look beyond regional development in order to position itself as a world-class green finance centre. Moreover, the city possesses numerous advantages when it comes to developing as a green finance centre.

First, Shanghai has made remarkable achievements in green development. In 2020, the city's emissions of four major pollutants, including chemical oxygen demand, ammonia nitrogen, sulphur dioxide and nitrogen oxides, dropped by 68.1%, 38.1%, 46.6% and 28.2%, respectively – all exceeding emissions reduction goals set by the government.

Second, Shanghai has now accelerated high-quality development with an emphasis on the environment.

The city has also made carbon reduction a priority in promoting an all-round green economic and social transformation. Shanghai will continue to advance the transformation of energy, industry, transportation and agriculture, strive to develop low-carbon environmentally-friendly industries, actively practice a green low-carbon lifestyle, and make efforts to develop initiatives such as the ecologically-friendly development of the Yangtze River Delta and Shanghai Chongming World Eco-Island.

Third, Shanghai boasts a range of financial resources which can drive business innovation, such as the development of futures and securities based on green finance assets. The connectivity between major financial centres including Shanghai, Hong Kong and London is another advantage. More importantly, Shanghai's financial district can serve as a conduit for China's carbon trading with the outside world.



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### ing an International Green Finance Centre

First, improve green finance policies, take part in working out international standards and mutually-recognised criteria and definitions for green industries and assets.

Second, expand green finance products and services, accelerate the construction of green finance product trading platforms, and explore connections with carbon trading. Shanghai should play an active role in building

China's carbon financial system.

Third, improve the construction of infrastructure (such as data) and enhance information disclosure to avoid green financial arbitrage. Set up a green finance database, strengthen green data collection and application, and improve data certification, ratings, and monitoring processes as well as information disclosing mechanisms.

And, fourth, enhance cross-border collaborations in green finance. On one hand, introduce global funds and

overseas investors in green finance investing or financing; on the other hand, fully tap the sustainable development needs of countries along the Belt and Road and enrich basic assets of green finance.

