Tailored Financial Services to Support Green and Sustainable Development

—— I&G’s Green Financing Platform Project

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China National Investment and Guaranty Corporation

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PART ONE

About I&G
China National Investment and Guaranty Corporation (I&G)

Background and History

Founded in 1993 by the MOF and SETC of PRC, I&G is currently a member enterprise of SDIC.

- Established with a registered capital of CNY 500 million

- Merged into SDIC
  Registered capital rose to CNY 3 billion

- Completed registered capital transfer and increase registered capital to CNY 4.5 billion

- Became subjected to the administration by SASAC

- Introducing six investors by equity financing
  Registered capital rose to CNY 3.52 billion

- 1993
- 2003
- 2006
- 2010
- 2012

Industry Positioning

- The first and largest guarantee institution in China with a long-term credit rating of AAA.

- President institution of China Financing Guarantee Association, and member of the world’s top three guarantee and credit insurance associations.
China National Investment and Guaranty Corporation (I&G)

- **Business Structure**

  - **Credit Enhancement**
    - Business based on Public financing markets, interbank markets and capital markets
    - Entrusted guarantee business
    - Project guarantee

  - **Fintech**
    - Fixed-Income Products
    - Other financial services

  - **Asset Management**
    - Credit enhancement business
    - Proactive management
    - Intermediary services

  - **Core Business**

At the end of 2019, I&G had a balance

- CNY 50.2 billion
- CNY 513.8 billion
- CNY 50.2 billion
- CNY 26.51 billion

2019, I&G realized income of

- CNY 22.97 billion
- CNY 970.42 million
- CNY 22.97 billion
- CNY 970.42 million
China National Investment and Guaranty Corporation (I&G)

- **Green Financing Practice**

I&G adheres to the concept of green development and is experienced in low carbon financial sector.

- **2003-2009**  
  **WB/GEF China Energy Conservation Promotion Project Phase II**  
  ——ESCO Loan Guarantee Program

I&G has implemented 148 EMC guarantee projects with a total guarantee value of CNY 516.55 million, saving 590,000 tons of standard coal per year and reducing carbon emission by 380,000 tons per year.

- **2017-present**  
  **Air Quality Improvement in the Greater Beijing-Tianjin-Hebei Region**  
  ——I&G’s Green Financing Platform Project (GFP Project)
Green Financing Practice

2017-present  Air Quality Improvement in the Greater Beijing-Tianjin-Hebei Region
——I&G’s Green Financing Platform Project (GFP Project)

Launch Ceremony of the GFP Project
Amount of the Loan: EUR 458 million
Term of the loan: 15 years, with 10 years of grace period.
### Project Vision

**Contributing to Air Quality Improvements**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Conserved</td>
<td>40.2 million tce</td>
</tr>
<tr>
<td>Carbon Reduction</td>
<td>27.33 million tons</td>
</tr>
<tr>
<td>Smoke</td>
<td>380 billion m³</td>
</tr>
<tr>
<td>Dust</td>
<td>0.78 million tons</td>
</tr>
<tr>
<td>SO₂</td>
<td>0.51 million tons</td>
</tr>
<tr>
<td>NOₓ</td>
<td>0.36 million tons</td>
</tr>
</tbody>
</table>

### Giving full play to the Leverage Effect of ADB Loans

Estimated to leverage EUR 3.6 billion (CNY 27 billion)
Targeted Sectors

1. Clean Energy
2. Energy Saving & Emission Reduction
3. Green Transportation
4. Waste to Energy
Targeted Geographical Locations

- Beijing
- Hebei
- Henan
- Tianjin
- Shandong
- Liaoning
- Shanxi
- Inner Mongolia
Categories of Loan Utilization

1. Guarantee
2. Entrusted Loan
3. Equity Investment
4. Other Credit Enhancement
Allocations of Loan Proceeds

- Total: 458 million
  - Financial Leasing: EUR 91.6 million
  - Guarantee Loss Reserve: EUR 91.6 million
  - Equity Investment: EUR 25 million
  - Entrusted Loans: EUR 249.8 million
PART THREE

Project Progress
Project Progress

➢ Project Timeline

- 2017-08.14: Loan Effectiveness
- 2017-10.07: On-lending Agreement Signed
- 2017-12.06: First Withdraw from ADB
- 2019-12.31: EUR 331.47 million has been withdrawn
- 2022-09.30: Loan Closing
- 2031-12.01: Principal & Interest Repayment Project Completed

➢ Operation Overview

By the end of 2019, I&G has withdrawn EUR 331.47 million, accounting for 72.37% of the total.

- provision of entrusted loans: CNY 2.18 billion to 36 subprojects
- accumulated guarantee amount: CNY 584 million to 2 subprojects

44 subprojects approved, 38 subprojects conducted, leveraging more than CNY 5.51 billion of co-financing.
In regional distribution, 9 subprojects are implemented in Beijing, 5 subprojects are implemented in Hebei and Henan respectively, 2 in Tianjin, Henan, Inner Mongolia respectively, and 13 in Shandong. The above subprojects covered comprehensively all the 4 targeted sectors.
Pollutant Reduction

Upon completion, the aforementioned subprojects are expected to reduce coal consumption by 725,200.2 tons per year and gasoline consumption by 314,619 tons per year, contributing to the annual emission reduction of CO₂, SO₂, NOₓ, and PM by 2,199,781.19 tons, 28,050.96 tons, 6,635.91 tons, and 71,466.51 tons, respectively.

Awards & Achievements

◆ The GFP Project has won ADB’s Award of the Best Performing Project in 2018.

◆ The GFP Project has been selected as the Best Practice of Nature-Based Solutions in 2019 UN Climate Action Summit.
Project Achievements

Awarding Ceremony of the ADB Best Performing Project in 2018.

Compendium of Contributions
Nature-Based Solutions
Project Highlights
1) Financial Leasing

Considering the heavy investments of fixed assets in green fields, the GFP Project introduces a financial leasing mode to provide loans to companies in need of fixed-assets procurement such as machines or equipment.

Benefits

◆ Expanding the scope of support.
◆ Catering to the specific needs of targeted customers.
◆ Extending the depth of subprojects’ implementation
◆ Facilitating subprojects’ sustainable development.
Project Highlights

➢ Tailoring Financial Products for Diverse Financial Demands at Different Levels

1) Financial Leasing

At the end of 2019, the GFP Project has granted CNY 700 million to the sub-borrowers through three financial leasing companies, leveraging co-financing of CNY 595 million with a total investment of CNY 2.56 billion.
Project Highlights

➢ Tailoring Financial Products for Diverse Financial Demands at Different Levels

2) Guaranty

The GFP Project has played a leverage role by setting a guaranty loss reserve and introducing a guaranty mechanism.

Benefits

Brand Effect
◆ Taking advantage of rich experiences and brand effect of I&G.

Leverage Effect
◆ Catalyzing co-financing by leveraging more social capital to support green and low carbon subprojects.

Demonstration Effect
◆ Guiding capitals from all works of life to flow into green industry.
Tailoring Financial Products for Diverse Financial Demands at Different Levels

2) Guaranty

The GFP Project has provided a CNY 584 million guaranty service to facilitate the issuance of a “Sound Green Asset-Backed Security” (ABS).

The funds raised through the ABS from the capital market will be used for odor control of two sewage treatment plants in Fatou and Wulituo of Beijing to improve air quality and sanitary conditions in the surrounding areas.
Tailoring Financial Products for Diverse Financial Demands at Different Levels

3) Supporting the Development and Capacity Building of Green SMEs

Green SMEs are important entities in terms of low-carbon development. However, they are always confronted with difficulties in accessing affordable financing.
3) Supporting the Development and Capacity Building of Green SMEs

The GFP Project has worked hard on providing tailored financing services to green SMEs. According to specific features of the low-carbon business and varying needs of customers, the GFP Project customize financial products in terms of **financing amount, term, and repayment method**, with full consideration of risk control.

*e.g., Cooperation with Commercial Banks*

In December 2018, I&G signed a memorandum of understanding of USD 600 million collaborative co-financing with Huaxia Bank, Bank of Beijing, and ADB under the GFP Project.

MoUs Signing Ceremony
Project Highlights

Tailoring Financial Products for Diverse Financial Demands at Different Levels

3) Supporting the Development and Capacity Building of Green SMEs

e.g., Cooperation with Provincial and Regional Guaranty Company

Cooperative Framework Outlined with Beijing Chengxinjia Guaranty Company.
So far, two subprojects were granted CNY 9 million to construct two charging stations in Beijing.


2017

2019
Project Highlights

3) Supporting the Development and Capacity Building of Green SMEs

The GFP Project also endeavors to strengthen green SMEs’ capacity to access financing. So far, seven trainings have been delivered by ADB and I&G on technologies, environmental safeguards, financial assessment, and post-loan management, with over 300 participants (including more than 120 participants from SMEs). A total of 10 green SMEs have passed the comprehensive assessment of ADB and I&G for total financial support of CNY 209 million.
PART FIVE

05 Sample Subprojects
**Sample Subprojects**

- **Beijing Sanju Straw Biomass Utilization Project (2 Subprojects)**

  **Borrower**: Beijing Sanju GreEnergy Tech. Co., Ltd  
  **Targeted Sector**: Waste to Energy

  **Loan Amount**: CNY 150 million  
  **Loan Term**: 2 years

  **Annual Pollutant Emission Reductions**:

  - **CO2**: by 38,485.33 tons
  - **SO2**: by 25.04 tons
  - **Nox**: by 135.18 tons
  - **PM**: by 719.91 tons.
## Sample Subprojects

### Beijing Sunju Straw Biomass Utilization Project (2 Subprojects)

<table>
<thead>
<tr>
<th></th>
<th>1) Shenyang Kanghe Straw Biomass Utilization Subproject</th>
<th>2) Zhalaiteqi Diwo Straw Biomass Utilization Subproject</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td>Kangping County, Liaoning Province</td>
<td>Jalaid Banner, Inner Mongolia</td>
</tr>
<tr>
<td><strong>Total Investment</strong></td>
<td>CNY 138 million</td>
<td>CNY 118 million</td>
</tr>
<tr>
<td><strong>Project Description</strong></td>
<td>Construction of a new straw treatment plant,</td>
<td>Construction of a new straw treatment plant,</td>
</tr>
<tr>
<td></td>
<td>with an area of 46,671 m², where crop straw is</td>
<td>with an area of 49,049 m², where crop straw is</td>
</tr>
<tr>
<td></td>
<td>processed into bio-char fertilizer, liquid fertilizer</td>
<td>processed into carbonized straw particles,</td>
</tr>
<tr>
<td></td>
<td>and bulk blending fertilizer.</td>
<td>bio-char fertilizer and wood vinegar.</td>
</tr>
</tbody>
</table>

- **Beijing Sunju Straw Biomass Utilization Project (2 Subprojects)**
  - **1) Shenyang Kanghe Straw Biomass Utilization Subproject**
    - **Location**: Kangping County, Liaoning Province
    - **Total Investment**: CNY 138 million
    - **Project Description**: Construction of a new straw treatment plant, with an area of 46,671 m², where crop straw is processed into bio-char fertilizer, liquid fertilizer and bulk blending fertilizer.
  - **2) Zhalaiteqi Diwo Straw Biomass Utilization Subproject**
    - **Location**: Jalaid Banner, Inner Mongolia
    - **Total Investment**: CNY 118 million
    - **Project Description**: Construction of a new straw treatment plant, with an area of 49,049 m², where crop straw is processed into carbonized straw particles, bio-char fertilizer and wood vinegar.
Project Highlights

The subproject has good ecological and social benefits.

- It solves the problem of air pollution caused by straw burning in open fields.
- It helps to turn waste into something useful, improving local farmers’ income.
Project Highlights

- The bio-char fertilizers reduce the damage caused by chemical fertilizers and improve soil structure.
- The bio-char fertilizer plays an important role in soil carbon fixation, which helps to reduce carbon emission.
Pingyi County Waste-to-Energy Plant Subproject

**Borrower**: Pingyi Tianying Environmental Protection and Energy Co., Ltd.

**Targeted Sector**: Waste to Energy

**Loan Amount**: CNY 180 million

**Loan Term**: 5 years

**Annual Pollutant Emission Reductions**:

- CO2: by 52,259.74 tons
- SO2: by 12.42 tons
- Nox: by 11.81 tons
- PM: by 1.24 tons.
## General Overview

<table>
<thead>
<tr>
<th>Location</th>
<th>Pingyi County, Shandong Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Investment</td>
<td>CNY 310 million</td>
</tr>
</tbody>
</table>

### Project Description

It is to build a Waste-to-Energy Plant to treat domestic waste by incineration and generate power through waste heat recovery. The plant’s daily garbage disposal capacity is around 600 tons.

### Project Highlights

It is one of the fourth batch of PPP demonstration projects of the MOF, which will significantly enhance local garbage disposal capacity and help solve the environmental problem caused by landfill.
PART SIX

Knowledge Sharing
Knowledge Sharing

Lesson Learned

- Actively partnering with other stakeholders to maximize the ADB loan’s leverage and demonstration effect.

- Through various business promotion to maximize the GFP Project’s demonstration effect.

- A highly efficient and professional team is a solid foundation for the successful implementation of the Project.

- Using various financing modalities to develop tailored services for different customers with full consideration of risk control.
I&G has established ADB Program Center (i.e. Project Management Office (PMO)), comprising professionals with engineering, finance, legal affairs and foreign languages background.

The PMO staff have been provided with a series of skill trainings on forex risks analysis and foreign language, participating in business exchanges study tours at home and abroad for more than 30 times. More than 20 special research reports covering sectors such as energy-conservation, green transportation, etc. have been prepared by the PMO.
To give full play to the role of ADB loans and leverage social capitals to invest in green sectors to the maximum extent,

I&G has been actively partnering with other stakeholders including commercial banks, energy conservation associations, local financial platforms, financial leasing companies, etc.
In line with the specific features of the low-carbon business and varying needs of customers, the GFP Project has focused on providing customized services to develop more targeted and practical financial products for customers in diverse circumstances with proper risk management.
Lesson Learned

Promotion

In order to fully expand the GFP Project’s demonstration effect, I&G has organized and participated in more than 30 seminars, workshops and forums to share experiences on project execution. In 2019, a media tour was arranged by ADB to visit two subprojects financed by the GFP Project in Liaoning and Inner Mongolia. More than ten relevant news reports have been published.
THANK YOU!

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