The Innovative Development Path of Green Financial Products in China's Xiongan New Area

Xingyang Yu

College of business administration, Hebei University of Economic and Business, Shijiazhuang, 050061, China
b1791253759@163.com

Abstract

The development of green finance is the general trend of the financial industry to adapt to China’s green development concept and emission reduction target. The Xiongan New Area will strive to build itself into a world-class green and smart new city. As a pilot area for financial innovation in China, the Xiongan New Area is working hard to build a green financial system. The existing high-end financial system is ahead of the existing industrial structure. In order to promote the deep integration of green finance with the real economy, it is necessary to combine the actual situation of the Xiongan New Area and innovate and develop the green financial system. The focus of this paper is on how to promote the green development of Xiongan New Area through financial innovation, that is, to make efforts on product and service innovation, and to develop green credit loans, green insurance and green bonds.

Keywords

Construction of New Areas in China; Green Finance; Green Credit Loans; Green Insurance; Green Bonds.

1. Introduction

Before the Xiongan New Area was planned, the scale of deposits and loans of financial institutions was small, and the financial industry was underdeveloped. By 2017, the total deposits of financial institutions in Xiongan, Anxin and Rongcheng totaled 47.739 billion yuan, and the total loans of financial institutions in the three counties totaled 17.712 billion yuan. After the establishment of the Xiongan New Area, a number of financial institutions, mainly in the banking sector, have settled in the area and have made plans in the new area. The financial system has developed, but the development momentum of the insurance and securities industries is not enough, and the financial industry is not enough to meet the needs of urban construction. Meanwhile, high-quality fiscal funds, special bonds, transfer payments and general bonds are the main funding sources for the Xiongan New Area. However, to meet the needs of Xiongan's green development, diversified long-term financing mechanisms are still needed.

Nearly 10 years, our country in the implementation of green credit loans, green insurance, green bonds has accumulated rich experience in the process, but in the new city construction mainly rely on bank finance, the application of the three products ratio is less, the Xiongan green wisdom city construction need to be more perfect financing system, so it can be looking for green on credit loans, insurance, bonds, enrich the current financing system of Xiongan.
2. Promoting Green Credit Loans Extensively

At present, the credit scale of Xiongxin, Rongcheng and Anxin is small, but the financing demand of green investment is large. Since 2017, the comprehensive governance of Baiyangdian Lake has achieved initial results under the cooperation of multiple government departments in Xiongan New Area. Ecological protection has put forward a huge demand for green finance. From the perspective of the relationship between the current green credit scale and investment demand, the development of green credit should be encouraged. [1] First, we need to formulate long-term plans to meet the needs of green development. The benefits of green credit tend to appear in the long term, but in the short term, the benefits are not obvious or even decrease. The government of the new district and financial institutions must formulate medium- and long-term green credit development plans and goals according to the return cycle of green credit, and at the same time promote the improvement of the credit system and standardize credit management. [2] Second, we should enrich the supply of green credit market and stimulate new demand through new supply. Actively explore a variety of ecological products, such as new energy financing loans, energy-saving car loans, green transportation loans, green home loans and other credit products, to enrich the supply of green credit, encourage green life; [3] Third, the introduction of third-party supervision mechanism, the use of 5G, big data and other technologies to build a green credit platform, improve the incentive and constraint system of green credit, to prevent enterprises from colluding with banks. [4]

3. Strictly Implement Green Insurance

Green insurance is an important component of the green financial system, and its main function is to strengthen environmental risk management. By the fourth quarter of 2020, the bond investment plan of China's insurance funds involving green industries will reach 960 billion yuan, and the green equity investment will reach 1.4 billion yuan, which will continue to exert its strength on the asset side except the debtor side. [5] However, China's compulsory liability insurance for environmental pollution still has the problem of "difficulty in landing". At the same time, the insurance rate is higher than that of general liability insurance, and the product cost performance is low.

Xiongan new area is located in the hinterland of Beijing and Tianjin in the central part of Hebei Province, China. The typical feature of this area is the destruction for years. In order to realize the green development of this region, it is necessary to introduce green insurance. In order to develop green insurance in Xiongan new area, it is necessary to speed up the compulsory liability insurance system for environmental pollution, and establish a compulsory insurance system based on the relevant risk assessment standards of Xiongan new area and comprehensive investigation of ecological risks in Xiongan new area, especially for high-pollution industries such as chemicals, heavy metal industries and polluting wastes. At the same time, it is necessary to strengthen cooperation among regulatory authorities, insurance companies and insurance companies, build an environmental risk early warning mechanism and digital risk management platform based on Internet big data through Internet technology companies, promote blockchain certification and information disclosure through joint cooperation, and improve environmental accident prevention and control capabilities. Finally, insurance products can choose green technology enterprises as important service objects, give full play to the large-scale and long-term market advantages of green insurance, and help the development of green technology.
4. Exploring Xiongan New Area Green Bonds

Under the background that carbon peaks and carbon neutral targets are incorporated into the overall layout of ecological civilization construction, the development of China's green bonds is full of opportunities. In 2014, Shanghai Pudong Development Bank underwrote the first inter-bank green bond: "14-core wind power MTN 001", and became the pioneer in underwriting green bond.[6] In the international market, Shanghai Pudong Development Bank London Branch officially listed and issued the first green bond in China with the theme of "low carbon city" in London stock market in 2019. By the end of 2020, China had become the largest certified climate bonds issuer. China's green bond issuers are mainly distributed in the financial industry. The stock of green bonds exceeds 800 billion yuan. From 2016 to 2020, the annual issuance scale of green bonds exceeds 200 billion yuan. The enthusiasm of the real economy to raise funds through the green bond market has increased, and green bonds has also become a major component of direct financing in the green market. Entering the "14th Five-Year Plan" period, China's green bond business will comprehensively promote the digital transformation, matching with the strategic positioning of green industry development.

At present, the issuance of bonds in Xiongan new area is relatively small, and the financing obtained by the construction enterprises in the new district by using bonds is not enough to support the huge demand of urban construction in Xiongan new area, so it is still necessary to encourage the issuance of green bonds. First, unify the definition and classification requirements of green bonds, and formulate audit standards. [7]Second, the regulatory authorities should strengthen supervision over the use of funds raised by green bonds, and urge enterprises to fully disclose the project situation, so as to make the information open and transparent. Third, find a correct position and focus on developing strategic emerging industries. The newly adopted "14 th Five-Year Plan" pointed out that in the next five years, the added value of China’s strategic emerging industries will account for more than 17% of GDP, and the new generation of information and communication technology, biotechnology, new energy technology, high-end equipment manufacturing, green environmental protection, aviation Strategic emerging industries such as deep space and marine equipment will become the new pillars of the modern industrial system; Artificial intelligence, quantum information, genetic technology, deep sea air and space development, clean energy, energy storage and other cutting-edge technologies will become future industries. Therefore, as the blood of the real economy, the financial industry is closely related to the quality of the real economy development. To develop the green bond industry in xiong'an new area, we should focus on analyzing the whole industrial chain of strategic emerging industries, encourage the formation of high-quality green bond service products linked with the emerging industrial chain, and promote the deep integration of green finance with the new pillar real economy. [8]

Climate is a common problem facing the whole world. At present, international green bonds are developing rapidly, while China’s green bonds do not conform to the definition of green bonds in the Climate Bond Initiative, but are typical green bonds that only conform to the domestic definition. Xiongan new area can rely on the policy advantages of Hebei Free Trade Zone, develop offshore market in accordance with international standards, expand open cooperation and develop green bonds.

5. Conclusion

In the 14th Five-Year Plan period, China is still in an opportunity period, and it is still necessary to promote high-quality development, in which ecological protection and the realization of peak carbon dioxide emissions and carbon neutrality have become important goals for future development; At the same time, Xiong'an is different from new york and London, which are old cities in the industrial age. Its goal is to build a new city in the information age, and it will
become the first super-computing brain city and Internet of Things city. Xiong’an Free Trade Zone will plan to build a financial island, which will become an important engine to serve China’s scientific and technological revolution. According to the actual development needs, this paper discusses the green financial products that Xiong’an should focus on. In the future, in the face of the formation of China’s dual-cycle pattern, the belt and road initiative is increasingly recognized internationally, and the development of the central and western regions is connected with the development of the eastern region. As the frontier of China’s reform and opening up, Xiong’an will take the lead in developing green finance, which will lead to green and coordinated development among major regions. Therefore, xiong’an new area’s research direction is bound to link with China’s major regional development strategies and China’s new development pattern of double circulation.

References

[5] Dai Meng Xi. Support green economic transformation, Green insurance should be exerted at the same time from the asset and liability sides [N]. Financial Times, 2021-03-03(010).