



BRI GREEN REVIEW

Secretariat of BRI International Green Development Coalition

**Inception Meeting for Joint Study on
Green Development Guidance for BRI Projects (the 'Green Light' System)
Beijing, 10 December 2019**



Joint Research on Green Development Guidance for Belt and Road Initiative (BRI) Projects Was Launched

The Inception Meeting for Joint Research on “Green Development Guidance for Belt and Road Initiative (BRI) Projects” was held in Beijing on December 10, 2019. Erik Solheim, Convener of the Advisory Committee of BRI International Green Development Coalition (BRIGC) and Senior Advisor of World Resource Institute, and Guo Jing, Director-General of the Department of International Cooperation of Ministry of Ecology and Environment (MEE), attended and addressed the Meeting. Li Yonghong, Deputy Director-General of Foreign Environmental Cooperation Center (FECO) of MEE and Dimitri de Boer, Chief Representative China of ClientEarth, co-chaired the Meeting. The event was attended by more than 40 representatives from Ministry of Foreign Affairs (MFA) of China, National Development and Reform Commission (NDRC) of China, Policy Research Bureau of China Banking and Insurance Regulatory Commission, Ministry of Environment, Land and Sea of Italy, Norwegian Embassy to China, United Nations Development Programme (UNDP), Silk Road Fund, Asian Infrastructure Investment Bank (AIIB), ClientEarth, Environmental Defense Fund (EDF), World Resource Institute (WRI), and related organizations at home and abroad.

The Meeting officially launched the Joint Research on “Green Development Guidance for Belt and Road Initiative (BRI) Projects”, also known as the “Green Light” System. Basics about the joint research were introduced in the Meeting, and two panel discussions were organized to deliberate on opportunities and challenges of green BRI, as well as policies, regulations and measures to promote the construction of green BRI. The “Green Light” System is expected to provide guidance on the assessment and classification of BRI projects from the perspective of preventing ecological and environmental risks, in order to support decision making on green development.

At the Meeting, participants recognized the importance of this research on jointly building a green Belt and Road, and expressed willingness of active involvement to contribute wisdom and experience.

Here is a summary of the panel discussions and remarks from the floor:

Panel Discussion 1: Opportunities and Challenges of Green Belt and Road Initiative

The Panel Discussion 1 was moderated by Li Yonghong, Deputy Director-General of FECO. Erik Solheim, Convener of the BRIGC Advisory Committee and Senior Advisor of WRI, and Guo Jing, Director-General of the Department of International Cooperation of MEE, delivered opening remarks. Delegates shared their opinions on the challenges of building Green BRI and put forward suggestions on the design and implementation of the “Green Light” System.



President Xi Jinping said that we need to pursue open, green and clean cooperation, and follow a high-standard, people-oriented and sustainable approach. The aim of launching the joint research on the “Green Light” System is to promote green development. This is a clearly set objective. The Belt and Road Initiative, which has become the largest investment framework of our time, is an opportunity that should be seized. The outputs of this joint research could provide an eco-environmental risk prevention system for BRI projects. I would like to propose five recommendations concerning the implementation of the joint research. First, the “Green Light” System should play a positive role in guiding green development and promote the greening of BRI projects while maintaining economic growth. Second, global best practices and standards should be the source of reference. Third, the joint research should be rooted in China with the participation of Chinese stakeholders. Fourth, the deliverables should be simple and easy-to-use, so as to guarantee high efficiency in use. Fifth, the “Green Light” System should cover major environmental issues, including climate change, environmental pollution, nature protection, and biodiversity conservation. It is hoped that more BRI participating countries could join the efforts of China.

—— Eric Solheim, Convener of the BRIGC Advisory Committee and Senior Advisor of WRI

The Belt and Road Initiative is a global initiative proposed by China. It is a public good provided by China to the world. President Xi Jinping said, “(The Belt and Road Initiative) aims to promote green development. We may launch green infrastructure projects, make green investment and provide green financing to protect the Earth which we all call home”. To pursue the high-quality development of Belt and Road cooperation, we need to implement the principle of green development. We need to focus on addressing three issues. First, how to assess and minimize the potential eco-environmental implication of BRI projects and align with the 2030 Sustainable Development Goals (SDGs) so as to provide a model for participating countries to follow in realizing green development. Second, how to identify the priority of project investment from the perspective of ecological and environmental risk prevention. Third, whether it is possible to identify specific project areas through developing this green development guidance.

—— Guo Jing, Director-General, Department of International Cooperation of MEE



Risk control in the construction of the Belt and Road comprises of two issues. First, how to understand existing environmental risks; second, how to identify the strategies to be used for risk control. Therefore, I would like to propose two recommendations concerning the implementation of the joint research. First, as for the strategies, we need to identify the priority of environmental risk screening based on the shared concern and demand of BRI participating countries and related partners, and then systematically analyze these risks in relation to possible causes. Second, as for specific actions, we should firstly reach an agreement on the methods for the analysis of environmental risks or potential environmental impacts, then establish an interdisciplinary team to carry out risk assessment, and finally generate solutions with the engagement of governments, businesses, the financial sector, scholars and experts. Besides, it is also suggested that the joint research should focus on providing some best practices in the future to enlighten the environmental risk control of BRI investment projects.

—— Bi Jun, Professor, School of Environment, Nanjing University

Highlights of the Remarks

The Joint Research on “Green Development Guidance for BRI Projects” could guide Chinese businesses with overseas investment to comply to green development requirements. The joint research aims to provide effective guidance to businesses through the identification of “Green Light projects” that are encouraged and “Red Light projects” that are banned. Both investors and investment destinations are faced with the risk of violating environmental laws and regulations in the process of developing the Belt and Road. Three factors contribute to the emergence of environmental risks: inadequate knowledge of the environmental laws and regulations of BRI participating countries; negligence to the observance of law; and the existence of unpredictable risks. I would also like to propose three recommendations in response. First, we need to promote exchange and cooperation between experts in environmental laws and regulations among BRI participating countries. Second, we need to urge and help investors to improve their awareness and understanding of environmental laws and regulations. Third, we need to improve the rule of law in China and countries along the Belt and Road, including legislation, law enforcement and the administration of justice. Only by ensuring the rule of law can we really green the Belt and Road.

—— Wang Canfa, Professor of Environmental Law, China University of Political Science and Law



Pakistan, as a strong partner to China, has been one of the participating countries in Belt and Road Initiative. Habib Bank (HBL) is the largest commercial bank in Pakistan. As the first Pakistani bank to cooperate with China, we have set up HBL China Office. I must say the BRI green development guidance project we are about to launch today will complement the ESG and green banking projects HBL has been advocating for. HBL has always been the leading force in promoting green development in Pakistan. We draw on past successes and replicate the best practices; we incentivize projects, instead of hampering them and; at the same time, step up capacity building of green development project by project to enable them to carry out better ESG analysis on their own. I think the partnership we have established through the development of China-Pakistan Economic Corridor and Belt and Road Initiative can help us build mutual trust and understanding, especially in the ESG area, thus providing potential solutions. Under a framework as such, as long as an agreement can be reached, the ESG and environmental risk analysis will bear fruit, including some pilot projects.

—— Qasim Wasim Dar, Head - Social and Environmental Policy, Investment Banking, Habib Bank Limited (HBL)

We promote the development of Green Belt and Road to facilitate the implementation of the UN Sustainable Development Goals. Therefore, the “Green Development Guidance for BRI Projects” should reflect the most pressing issues of common concern around the globe, such as climate change, to make good use of the advantages of Green Belt and Road. It is hoped that the project could promote the greening of BRI projects, which is a dynamic and on-going process. In actual operation, we need to pay special attention to two things. First, we need to draw on the experience of developed countries in setting up environmental standards for investment projects. Second, we need to seek common ground and coordinate the Green Development Guidance with related efforts of other ministries and departments to form synergy, so as to provide clear and operable guidelines for overseas investment. Last but not the least, the Guidance should identify criteria for banned projects, suggested projects and recommended projects, which could ensure that it can play the role of “traffic lights”.

—— Zhang Jianyu, Vice President, EDF



I'd like to share my opinions on the “Green Light” System from four perspectives: project design, timeline, cooperation mechanism and communication. In terms of project design, it is important to focus on identifying the systematic risks for the overseas investment by Chinese businesses from environmental and social dimensions and proposing the overall guiding principles for investment to effectively regulate the Chinese overseas investment. In this way, we could prevent and limit those investment projects with negative impact on China's image. In terms of the timeline, it is necessary to work out a detailed schedule, including milestones. In terms of cooperation mechanism, we need to consider how to cooperate with investors and contractors to improve public awareness and provide education and training opportunities. In terms of communication, we need to encourage the engagement of stakeholders and establish an effective platform for cooperation and communication to minimize risks and provide immediate solutions once problems occur. The research of WWF in natural asset assessment, the assessment of the environmental and social risks of overseas loans from Chinese banks, and the impact of road transportation projects on natural habitats could shed light on the development of the “Green Light” System.

—— Jean-Paul Paddack, Executive Director, Network Development, WWF International



All of us are responsible for ensuring that the BRI is moving towards a positive direction. I suggest that environmental sustainability should be considered in a broader framework, that is, overall sustainable development, namely all three pillars must be considered - economic, social and environmental. There are many aspects involved in “greening”, such as pollution control, biodiversity protection, climate change, and so on. Therefore, when we design this traffic light project, we must consider the connection between different issues. We need globally coordinated actions. Such global collaboration requires a two-pronged approach. The first approach is the combination of policy and market. The second one is banking, (and) making sufficient use of regulatory tools to address market failures. I would like to say that the traffic light is a very good idea. I would like to make a few suggestions to ensure its effective implementation: The first is the environmental impact assessment. It must be ensured that the environmental impact assessment is carried out before the project design is completed, so that the concerns of communities and local people can be fed back into the design process. In this way it can help promote the greening of the “Belt and Road Initiative”. Second, the traffic light project should have some compulsory standards. What I want to emphasize is that there must be an implementation mechanism and a quantitative evaluation mechanism. Transparency and the disclosure of data are very important and can help us better achieve greening.

—— Balázs Horváth, UNDP RBAP Senior Economist and Strategic Advisor on Belt and Road Initiative

I would like to share three points. First, environmental risks should cover the impact of pollution, ecological impacts, climate change, health impacts and biodiversity, as well as social risks caused by or relevant to ecological and environmental impacts. Second, long-term investment projects, M&A projects and contracted projects should be differentiated, as they have different impacts on local ecological environment. Third, we should keep track of the implementation of the “Green Light” System to ensure that the outputs of the project could facilitate decision-making.

—— Zhu Yuan, Associate Research Fellow, Appraisal Center for Environment & Engineering (ACEE) of MEE



I have some recommendations to the “Green Light” System project. First, we need to implement the “Green Light” System as early as possible in the development of the Belt and Road. Second, the mechanism of the Guidance should be as simple and clear as possible. Third, it is important to define the users of the “Green Light” System and related tools and ensure that they are used in the right way. Fourth, the “Green Light” System is very important in assessing and reducing risks. Fifth, the “Green Light” System is used not only for avoiding risks, but also for maximizing environmental and social opportunities. Sixth, the “Green Light” System should also cover soft commodity (e.g. timber and agricultural products). Seventh, the research should focus on both the short-term and long-terms implications of construction projects. Eighth, the research should take (key policies and appeals of) BRI participating countries into consideration.

—— Craig Hanson, Vice President, WRI (By video)

With regard to the “Green Light” System, the important part is to take actions with positive implications to address issues of common concern. One of the tasks for the future is to provide solutions. The development of the “Green Light” System needs the engagement of all sides. We hope that the outputs of this project could be extensively applied to benefit businesses, financial institutions and BRI participating countries and facilitate ecological and environmental conservation. In terms of project implementation, we need to start from priority tasks and develop practical and operable tools, which is the key task for the next stage. It is recommended that we exchange ideas with related authorities of BRI participating countries to ensure that the project could generate targeted and applicable outcomes.

—— Li Yonghong, Deputy Director-General, FECO



Highlights of the Remarks

To implement the call of President Xi Jinping to promote green development, considering the policy recommendation of “developing a source prevention mechanism for building a Green Belt and Road” put forward by a CCICED Special Policy Study, Co-Chairs of BRIGC proposed to launch the research on a “Green Light” System for BRI projects. This research project aims to reduce the environmental and climate risks of overseas investment and is expected to deliver a guide for priority projects or a list of recommended projects that could be extensively applied and promoted. The study will start with baseline research to identify the scope of eco-environmental risks on the basis of existing research and review current tools for administration and financing. The next step is to find the best practices for China based on the baseline research. The third step is to develop specific instruments. The Joint Research on “Green Light” System for BRI Projects is led by Mr. Erik Solheim, Convener of the BRIGC Advisory Committee and jointly implemented by multiple research institutions. It is expected to be completed in early 2021.

—— Liu Kan, Vice Director, BRIGC Secretariat



Panel Discussion 2: Policies, Regulations and Measures to Promote the Construction of Green Belt and Road Initiative

The Panel Discussion 2 was moderated by Dimitri de Boer, Chief Representative China of ClientEarth. Participants proposed recommendations for the implementation of the joint research from the perspective of the policies and measures for boosting the construction of Green “Belt and Road Initiative”.

Highlights of the Remarks



Ye Yanfei, Inspector, Policy Research Bureau of China Banking and Insurance Regulatory Commission

I would like to take the opportunity to share several points. First, the Ministry of Ecology and Environment (MEE) needs to strengthen its leadership in the construction of green Belt and Road. MEE should have the authority to ban projects failing to meet the standard of green development. Second, the interaction with stakeholders needs to be enhanced. BRIGC should develop a mechanism to strengthen communication and interaction with stakeholders. In this way, BRIGC could keep all stakeholders informed with their appeals being responded to. Third, the Green Development Guidance needs to be aligned with the development plans of developing countries with due consideration to the fulfillment of the Paris Agreement and the UN 2030 Agenda for Sustainable Development. Fourth, the project should align with local urbanization planning, including that of industrial parks and residential areas. Fifth, we need to identify priority areas for the development of BRI projects, including sustainable transportation (railway, urban rail transit), sustainable energy facilities (PV power generation, wind power, hydropower, energy storage, power grid), sustainable buildings (green buildings, energy-conservation retrofit of existing buildings), sustainable agriculture (the sustainable use of water and forest resources, organic agriculture, rural drinking water safety), and sustainable cities (smart city, urban water management, urban domestic waste treatment). Sixth, we need to figure out how to improve the technical standards for energy efficiency and water efficiency of industrial projects. Seventh, it needs to be stressed that project implementers and investors cooperate with third-party evaluation agencies. Besides, the Guidance should also include specific requirements for information disclosure.



Knut H. Alfsen, CCICED Special Advisor, Senior Researcher of Center for International Climate Research of University of Oslo (CICERO)

As for the traffic light project, in building a system as such, the areas that demand attention are as follows: First, the green bond issuers can be different institutions such as multinational banks, national banks, banks at various cities and counties, etc. Therefore, we must take the issuers into consideration when classifying and evaluating the projects. Second, measuring the sustainability of a project is vital. For example, whether a climate project can help achieve the goals of the Paris Agreement, and so on. Third, for the traffic light system to be straightforward and efficient, projects should be graded in accordance with their shades of “green” (dark green, medium green, light green and so on). A dark-green project, for example, is believed to provide a solution in the long run, such as some zero-carbon projects. A medium-green project is designed to tackle challenges arising from a certain stage and paves the way for long-term solutions. A light-green project is environmentally friendly per se but has little impact in the long run, e.g. projects that can reduce greenhouse gas emissions in a short period of time. Also, transparency and public disclosure is a key to the success of the traffic light system.

Highlights of the Remarks



Ma Jun, Chairman of Green Finance Committee (GFC) of China Society of Finance and Banking, Director of Research Center for Green Finance Development of Tsinghua University

I have four points to share as for further promoting investment in constructing Green Belt and Road Initiative. First, we need to establish a set of requirements for compulsory environmental impact assessment for overseas investment by China, especially for investment in countries along the Belt and Road. It is suggested that NDRC and MEE launch an official document for the compulsory implementation of environmental impact assessment by investors in countries and regions along the Belt and Road. Related departments should also launch standards for project approval based on the rules for compulsory environmental impact assessment. Second, we should significantly reduce the guarantee for BRI projects with high carbon emission and pollution by China Export & Credit Insurance Corporation (Sinosure). Sinosure should be required to reassess the environmental impact of the projects that it has insured and refuse to issue insurance and guarantee for projects failing to meet the standards of the Chinese government. Third, banks should conduct analysis on environmental and climate risks to better understand the financial risks of issuing insurance or guarantee for projects in areas with high carbon emission and pollution, including the risk of non-performing loans and asset depreciation. Fourth, we should develop a tripartite negotiation mechanism among Japan, South Korea and China to jointly reduce third-party credit to coal-fired power projects with high carbon emission and pollution.



Dimitri de Boer,
Chief Representative China of ClientEarth

Focusing on the strategic level and systematic level of green development on the Belt and Road, the “Green Light” System project is a unique research project in two aspects. First of all, the environmental challenges we faced required us to take a comprehensive and strategic perspective, including the accumulated impact of climate change and large-scale biodiversity loss. The “Green Light” project studies these issues from an overall perspective and aims to propose solutions, which accounts for the first unique point of this project. It attracted the wide participation from government departments, NGOs, financial institutions and the BRI participating countries among other stakeholders, which accounts for its second unique point. The research should proactively take advantage of global best practices and be deeply rooted in China. It needs to be precise and focuses on all major global issues related to environment, including pollution, nature’s diversity and climate change.



Henri de Branche,
Senior Environmental Specialist, AIIB

Driven by polices and strategies, the Asian Infrastructure Investment Bank (AIIB) follows a principle of opening, transparency and multilateral negotiations in its work. Through wide negotiations with stakeholders and considering global best practices as well as the specialties and experience of shareholders, we formulated the open Environmental and Social Framework (ESG Guidelines). Through industry-wide evaluation, we made a list of excluded industries. AIIB will not support any projects relating to industries on this list. AIIB’s environmental and social responsibility policy has fully represented the experience of other multilateral development banks such as World Bank, International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD). To this end, I suggest setting up a baseline or threshold for the “Green Light” System, listing out projects that are prohibited for implementation. Meanwhile, it is important to have China and BRI participating countries to accept and internalize these standards.



To keep opening is an important issue in cooperation. It is imperative to positively maintain dialogue and communication with all stakeholders in the construction of the Belt and Road. In this way it could realize a higher degree of transparency, which is significant for the long-term success of any project. Based on the experience of Silk Road Fund, it is vital to quantify and measure the positive impact of ESG, which would help investors to evaluate the action of giving up a part of economic revenues in exchange of positive ESG influence. The “Green Light” System we discussed today shared a lot of common concepts with green investment principles, including considering the impact of investment on environment and social governance, the stability of corporate management and the development of green supply chain. I look forward to the “Green Light” System coming up with specific standards and rules that are easy for businesses to follow and implement.

—— Cao Hui, General Counsel, The Silk Road Fund

Highlights of the Remarks



Chen Yaqin, Director,
Green Finance Department, Industrial Bank

I have three viewpoints on the Green Development Guidance for BRI Projects for discussion and consideration. Firstly, I would like to suggest setting up a multi-tier framework with consensus from government departments. Under this framework there needs to be practical instruments set up, which should be specifically designed and arranged from the different angles of companies and financial institutions. Secondly, for the specific implementation of these practical instruments, we could refer to the Green Credit Guidelines of China to standardize relevant requirements with modeling. Thirdly, given that there are many relevant and intersecting work under various platforms and mechanisms, I would like to suggest BRIGC come up with an integrated design and coordination across various research work.



Wee Kean Fong,
Deputy Country Director for WRI China

I mainly emphasized two points. Firstly, the “Green Light” System must be concise and pragmatic. It needs balance and coordination to make sure that while the project covers requirements from the areas of climate change, pollution control, nature protection, and biodiversity conservation etc., it is also precise, pragmatic and effective. Secondly, it is necessary to clarify the audiences of the project outcomes, and design better indicators centering on the potential audiences to augment the usability of the “Green Light” System. In terms of indicator set-up, in addition to the traditional environmental indicators, we also need to consider the short-term and long-term influence of the BRI projects. Special attention needs to be given to climate change mitigation and adaptation. The “Green Light” System needs to guide investment onto a track that will be beneficial for tackling climate change.



Li Fusheng, Former Member of the Credit
and Loan Approval Committee of the
Export-Import Bank of China, Professor of
the Chinese Academy of Social Sciences

The “Green Light” System also provides guidance on the future work of green finance. I have four suggestions for your reference. Firstly, when formulating the Green Development Guidance, we need to give equal consideration to the demand of social development. It is important to give consideration to the basic needs of stakeholders in improving their life quality while protecting environment. Secondly, it is imperative to increase transparency. The guidance by “Green Light” could only be seen when everyone is on the same page. Thirdly, it needs to comprehensively consider the depth and scope of the development and activities of human beings. Many BRI projects are related with international trade, in light of which the guidance on the green development of global supply chain composes an indispensable element in this process. Therefore, “Green Light” should not only provide instructions on international investment but also guide on global supply chain. Fourthly, special and close attention should be paid to main stakeholders in the “Green Light” System. If we could focus on the financial institutions supporting BRI infrastructure projects to practice green finance conceptions, the “Green Light” rules could yield more accomplishments with less work.



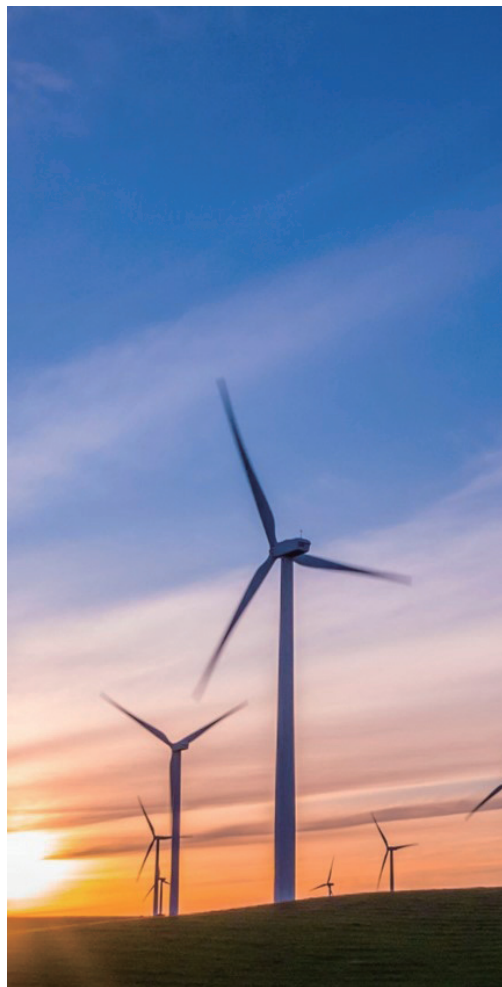
The Green Development Guidance requires support and guarantee from environmental standards. I suggest formulating a Belt and Road environmental standard system according to the relevant frameworks and contents on the green development on the Belt and Road, and developing specific standards based on the full consideration of the environmental capacities of BRI participating countries.

—— Wang Zongshuang, Director and Research Fellow of the Environmental Standards
Institute, Chinese Research Academy of Environmental Sciences

We hope that the BRI International Green Development Coalition could play a bigger role in facilitating the construction of the Belt and Road Initiative, enhancing research and coordination, building consensus and helping us to summarize best practices in all aspects. I hope the international organizations involved in the “Green Light” System project and partners at home and abroad could help us to carry out better practices, implement good standards and deliver positive messages in the international arena.

—— Li Peilin, Department of Regional Opening, NDRC





About Us

The BRI International Green Development Coalition is jointly initiated by Ministry of Ecology and Environment of China and international partners. The ever-growing needs on implementing UN 2030 SDGs and the need to make progress towards the Paris Agreement targets for the BRI participating countries require the cooperation among governments, local and international development agencies, think tanks, private sectors, civil societies and other stakeholders to maximize the concerted effort on green development.

The main goal is to promote international consensus, understanding, cooperation and concreted actions to realize green development on the Belt and Road, to integrate sustainable development into the BRI through joint efforts and to facilitate BRI participating countries to realize SDGs related to environment and development. Government departments, local and international organizations, think tanks, private sectors, civil society organizations and other related stakeholders that endorses the mission of BRIGC are welcome to join as Partners.

For More Information

<http://eng.greenbr.org.cn/icfgd/>

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