



Financing Clean Energy and Emission Abatement Projects in China

Christopher Tung

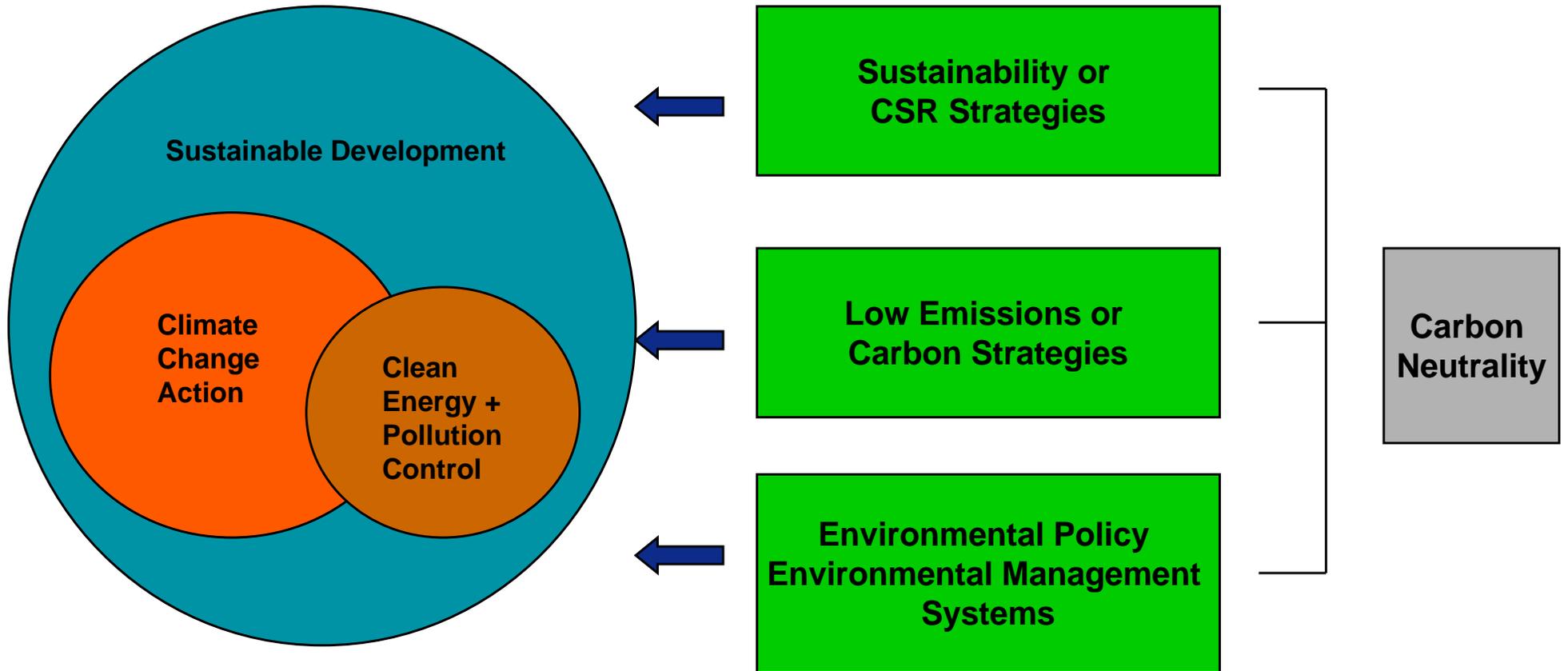
Overview

- Opening remarks
- Drivers for investment
- Interrelationships
- Types of projects
- Types of funding
- Trends

The drivers for investment

- Sustainability and corporate social responsibility (Carbon Disclosure Project)
- High oil prices
- International, regional and local policy and law on climate change (UNFCCC, Kyoto, EU ETS, PRC Renewable Energy Law, PRC CDM Measures)
- Control of pollution a priority (PRC 11th Five Year Plan)
- Risk management
- Good business: diversification, improve performance/profits and additional revenue stream (carbon credits)

Interrelationships between sustainable development, climate change, clean energy + pollution control and carbon neutrality



The projects

- renewable energy: wind, hydro, solar, biomass, geothermal
- emissions abatement (with power): renewables, landfill gas, coalmine methane
- emissions abatement (no power): HFC-22, N₂O, SF₆
- energy efficiency: fuel switching, equipment replacement/refurbishments
- non-GHG pollution control: SO₂, NO_x, particulates
- emissions trading: PRD pilot emissions trading scheme

Types of funding

- Equity: EJVs, CJVs and WFOEs (but note CDM restricted to EJVs)
- Debt: domestic and offshore loans (with security and guarantees)
- Non-recourse – none to speak of in China market
- Carbon finance (Clean Development Mechanism & voluntary markets)
- P2E2 – effectively combines the above, with or without carbon finance

Trends

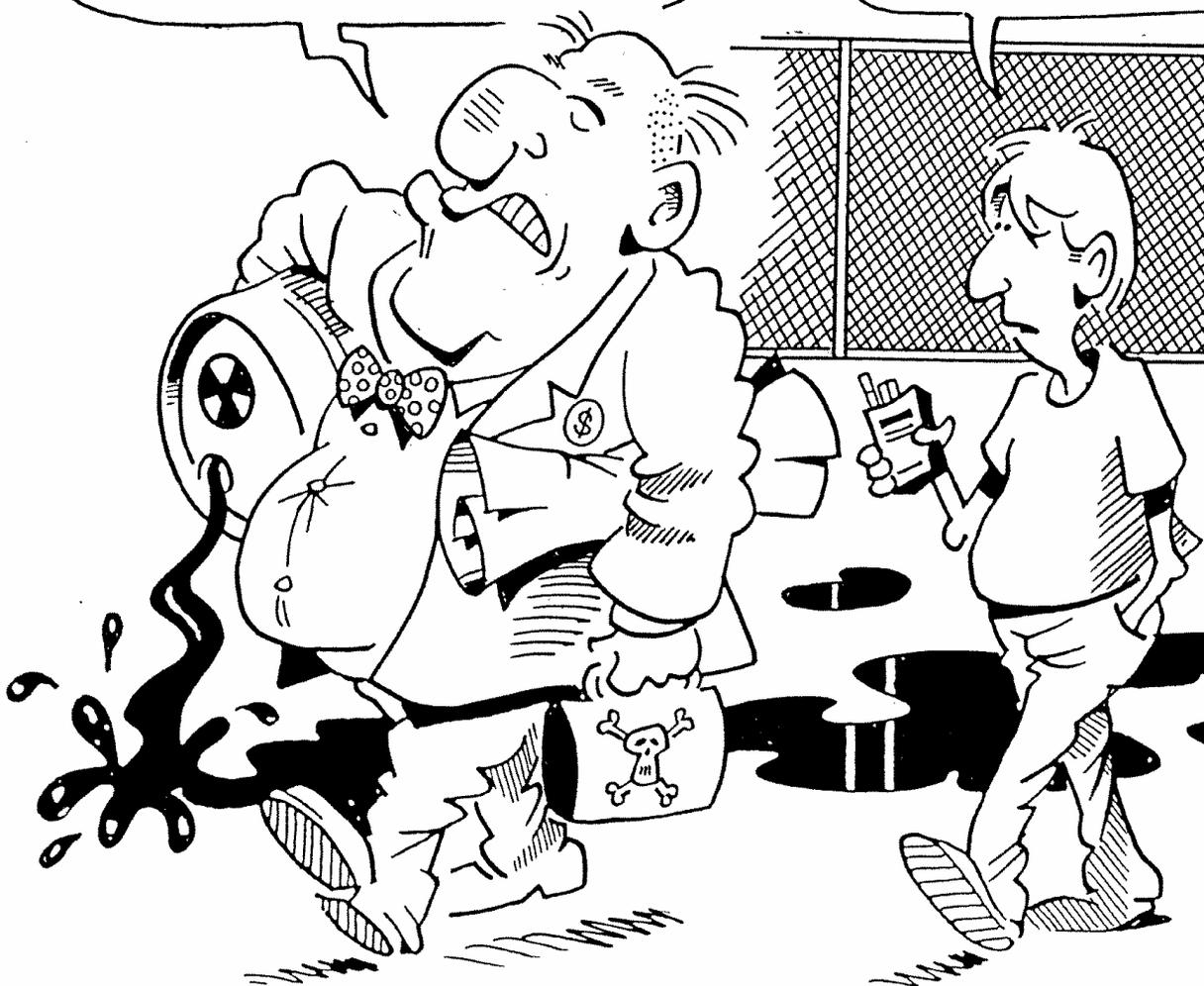
- Massive demand for clean energy
- Increasingly strict environmental enforcement
- PRD will receive greater attention
- Hong Kong policy will align with PRC policy
- Hong Kong role in clean energy and carbon finance to grow
- More Hong Kong and Mainland companies understand the need to address risks and opportunities
- Investors awareness and demands will grow correspondingly
- Legal risk management essential

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