

What's behind the growth of China's green finance sector?

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New research finds policy and regulatory support central to success

China's national green finance ambition, green finance regulation and enabling environment have grown rapidly over the past two decades, laying the foundation for the country's rise as a global leader in renewable energy generation and clean technology product manufacturing. At the same time, China's transition process as a developing country with a large population and economic and energy security concerns remains complex.

China is the [largest global emitter of greenhouse gases](#), accounting for nearly a third of current global emissions. While the country's carbon dioxide emissions have begun to [flatten or decline](#), fossil fuels continue to play a significant role in the country's manufacturing processes and additional coal production capacity is still being added.

A newly released policy brief by the United Nations Environment Programme Finance Initiative, '[Greening the Chinese banking system: A policy and regulatory landscape analysis](#)', explores how China's evolving approach to green finance since the early 2000s has created a conducive environment for sustained green growth. It examines nearly 50 policy instruments that have contributed to the development of the country's multi-layered green finance system.

The brief frames the discussion in the context of China's ambitions for achieving an 'ecological civilisation', as well as the socioeconomic development needs and coal-heavy natural resources that have influenced the country's incremental transition approach.

Incremental approach to transition

The research finds that, over the past two decades, China has progressively embedded sustainability considerations into its national development framework. Its newer policies have broadly sought to align with international frameworks such as the 2015 Paris Agreement, the 2022 Kunming-Montreal Global Biodiversity Framework and the Sustainable Development Goals.

While the country continues to build out coal facilities, its [updated nationally determined contribution](#), shared in the lead up to COP30, includes an intention to increase wind and solar power capacity by six times above its 2020 levels, and to reduce economy-wide GHG emissions by 7% to 10% from their peak by 2035.

The concept of ‘green finance’ has evolved from an initial focus on environmental protection in the 1990s to address high levels of pollution to a focus on integrating more climate and environmental, social and governance factors, as well as a shift towards international integration.

China’s approach to greening the financial system reflects its administrative and institutional historical traditions. This combines top-down policy direction with local-level implementation and piloting, where the central policies provide strategic guidance and serve as reference points for adapting to local contexts.

Taxonomies, frameworks and green finance standards

One element of China’s enabling environment is sustainable finance taxonomies – known as ‘catalogues’ in China – to define how economic activities align with pre-defined sustainability objectives. The 2025 ‘Green Finance Endorsed Project Catalogue’ seeks to unify China’s sustainable finance market by applying the same rules across green finance products (except for stock listing and issuance at the exchanges).

China has also focused on developing its corporate sustainability disclosure standards. The Ministry of Finance and the three stock exchanges released new sustainability reporting guidelines in the past two years, adopting ‘double materiality’ reporting requirements to encompass financial and impact materiality.

China has embedded sustainability in prudential and supervisory frameworks – most notably through the assessment of banks’ green finance performance. It has also

deployed complementary structural monetary policy tools like the Carbon Emissions Reduction Facility, which directly incentivises investments in renewable energy and green tech.

Multi-layered system leading to green growth outcomes

China's policies and enabling environment have facilitated green and social bond growth – with cumulative issuance reaching Rmb4tn (\$555.5bn), equal to 11.7% of the global total for green and social bonds by the end of 2024. This represents a twelvefold increase since 2016 with a compound annual growth rate of about 32%. Green and social bond growth has helped finance renewable energy growth and other sustainable development outcomes.

The brief concludes that, for China to reach peak carbon emissions by 2030 and carbon neutrality by 2060, implementation of the government's policy instruments and corresponding investments in capacity building for financial institutions and corporations will be crucial. Development and implementation of China's sustainable finance standards in key areas of transition finance, nature finance, GHG accounting and information disclosure in the coming years can help support the full adoption of double materiality.

The government's relatively stable policy environment, multi-pronged sustainable finance agenda and alignment with international standards position the country well to continue its trajectory of green and low-carbon development.

UNEP FI continues to support its members and other stakeholders with context for regional policy developments through initiatives such as its [Regulatory Implementation Support Programme](#) and policy engagement through the Network for Greening Financial Systems and the Taskforce on Net Zero Policy.

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