



RÉPUBLIQUE
FRANÇAISE

*Liberté
Égalité
Fraternité*



AFD AND

Energy Transition in China



14

projects funded to support
energy transition in China

More than
€500 million
committed between 2004
and 2020

Around **3 million**
tons of equivalent CO₂
saved annually, thanks to
these projects

Driven by sustained economic growth, demand for energy in China has increased dramatically in recent decades. In response to crucial environmental and health issues, the Chinese government has adopted a highly ambitious policy for energy transition. Since 2004, AFD's support is based on the funding of innovative segments of renewable energy or energy efficiency, in addition to the development of the green financial sector in China.

OUR ACTION IN China

1

Promoting energy saving in urban areas

In order to reach their targets, the Chinese authorities have launched wide-scale programs in energy efficiency, across all sectors. AFD is supporting this policy by promoting energy saving, particularly in urban areas.

A significant source of wasted energy and the world's second biggest market, the urban heating sector in China is undergoing profound modernization. AFD has been active in this sector since 2010, in order to contribute to the reduction in its carbon intensity. We have assisted the cities of Jinan, Jinzhong and Taiyuan in the **renovation of their urban heating networks**. These projects have improved the energy efficiency of production and enabled a reduction in heat loss, thanks to the implementation of **technological innovations and efficient network management**.

As the building sector also represents a considerable source of energy saving, AFD has supported the funding of a **thermal rehabilitation program** for 25 public buildings, managed by the municipality of Wuhan. This pilot project was the first thermal rehabilitation program for public buildings in China to be funded by a loan from a foreign donor.

2

Developing clean and innovative energy sources

China has adopted an extremely proactive policy to significantly reduce the proportion of fossil fuels in its energy mix and develop clean energies.

Since the launch of its activities in China, AFD has supported the roll-out of renewable energies in the hydro-electric and wind turbine sectors, by funding, for instance, the first high-altitude wind farm in Yunnan, and by promoting the biogas sector as part of a post-earthquake rebuilding program in Sichuan.

At present, we are focusing on under-developed niche activities in China, for which there is a considerable level of French expertise, by prioritizing in particular solutions for the **integration of intermittent renewable energy in networks, smart grids, efficient supply networks, renewable energies and energy storage**.

For example, we are funding:

- In Yichun in Heilongjiang province, the replacement of small, obsolete and polluting coal plants by a co-

generation biomass plant, which will recycle the region's forest residue.

- A project to **recover the heat generated by treated wastewater** in Jinan and a project to **recover residual industrial heat** in Zibo, in order to feed the urban heating network of these cities.

AFD is also funding the implementation of a system to manage and **recover energy from food waste in the city of Shaoyang** in the Hunan province. This project will enable energy and heat to be generated from food waste collected from restaurants.

3

Supporting the growth of the green financial system

The energy transition implies the involvement of financial players. In order to direct capital towards investments adapted to low-carbon transitions, **AFD launched a cooperative program in 2007 with three Chinese banking partners**, the Shanghai Pudong Development Bank (SPDB), Huaxia Bank and China Merchants Bank (CMB), via two green credit lines. This program has supported the funding of investments which are compatible with low-carbon growth and the development of specific skills in green finance. 90 company-led projects for renewable energies and energy efficiency have thus been funded, and more than 9,000 bankers from several dozen banks have been trained in climate-related issues.

In 2020, AFD contributed to the **creation and funding of the Shandong Green Development Fund**, a green investment fund devoted to the development of 'green' amenities in the historically highly-industrialized province of Shandong. In a context where 'climate' funds do not exist in China, this scheme represents a pilot project which will help to boost the funding of new climate-friendly projects. The structuring of the fund is a financial innovation which, thanks to long-term funding from donors and local governments, will help to trigger participation from private, institutional and business investors. The funds will target investments aimed at reducing climate change and adapting to its impacts and will focus on industries with the highest carbon emission levels.

Lastly, we have set up a research partnership with the International Energy Agency (IEA) around energy transition and the setting-up of a national greenhouse gas emission contract, and we also foster dialogue with the academic community and regulatory authorities on the management of climate funding risks.