



THE ALIGNMENT OF CHINESE BRI FINANCING WITH THE PARIS AGREEMENT: PROPAGANDA, ASPIRATION OR REALITY?

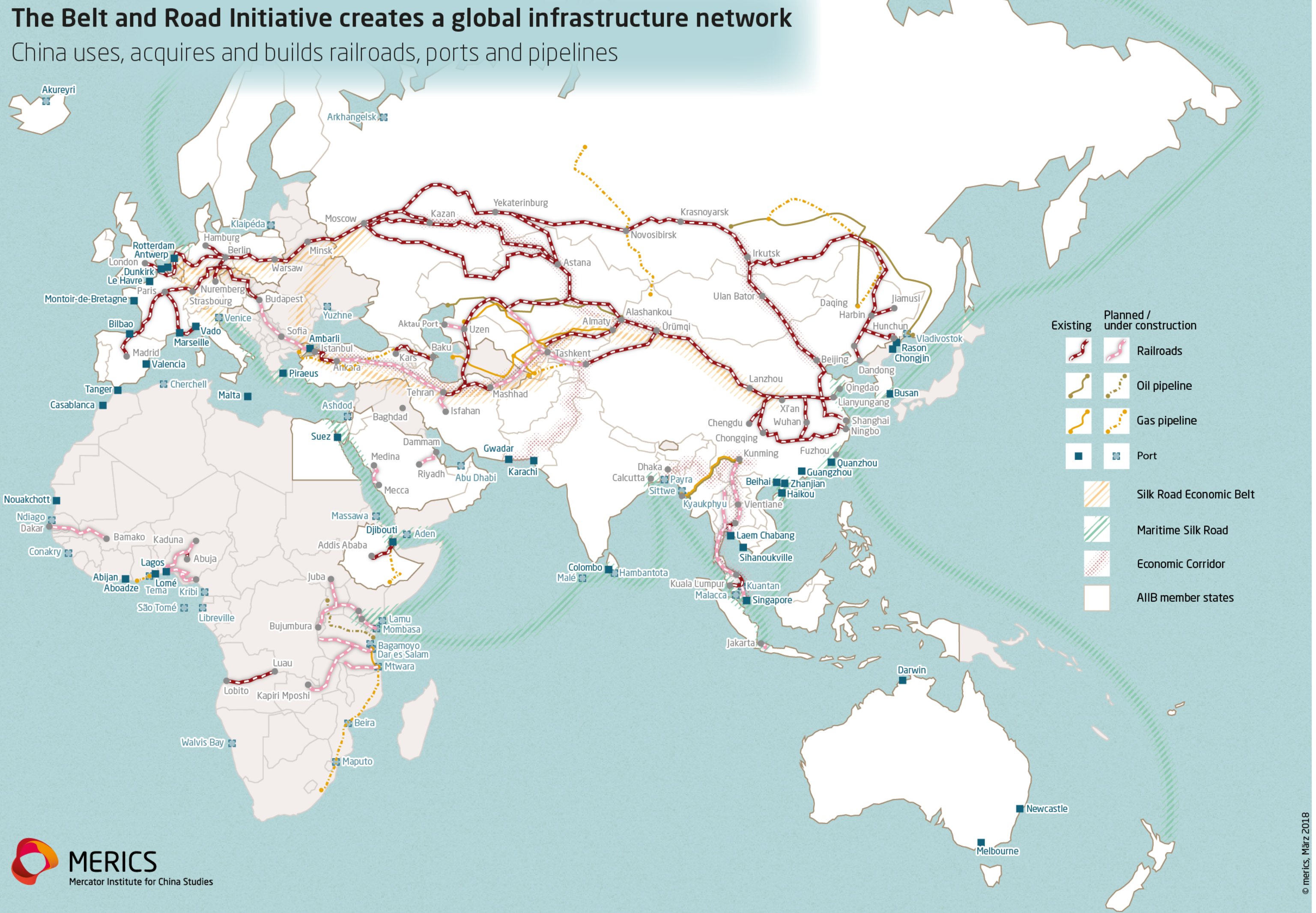
DR. MARIO ESTEBAN & DR. LARA LÁZARO

WITH THE ASSISTANCE OF UGO ARMANINI AND NGO TIEN MINH

OUTLINE

- Research question
- Literature
- Methods
- Results
- Discussion
- Key takeaways

The Belt and Road Initiative creates a global infrastructure network
 China uses, acquires and builds railroads, ports and pipelines



RESEARCH QUESTION



- **Is the Belt and Road aligned with the Paris Agreement?**
 - In the energy sector
 - 73% of emissions globally
 - More detailed information in NDCs
 - In 2014 – 2016
 - Prior to the entry into force of the Paris Agreement
 - In 2017 – 2019
 - Paris Agreement in force and BRI International Green Development Coalition (BRIGC)
 - Flurry of initiatives in China to deliver on a green BRI

LITERATURE



- Current literature

- › Hale, Liu & Uperlainen (2020): 5 strands

- **Foreign policy literature:** geopolitical + geostrategic (& some domestic) drivers
- **Quantitative analyses** of the BRI. Subject to **limited data**
 - global overview of finance and projects
 - sustainability of BRI investments & impact on Nationally Determined Contributions (NDCs) and Paris Agreement.
- **BRI as a top foreign policy priority serving divergent interests and actors.**
- **BRI in recipient countries**
- **Processes, policies, frameworks and institutions** by which BRI is delivered and the interaction among actors.

LITERATURE

> Gaps

- Limited analysis of environmental and climate governance challenges in BRI
- Role of the international climate regime in driving climate action along the BRI

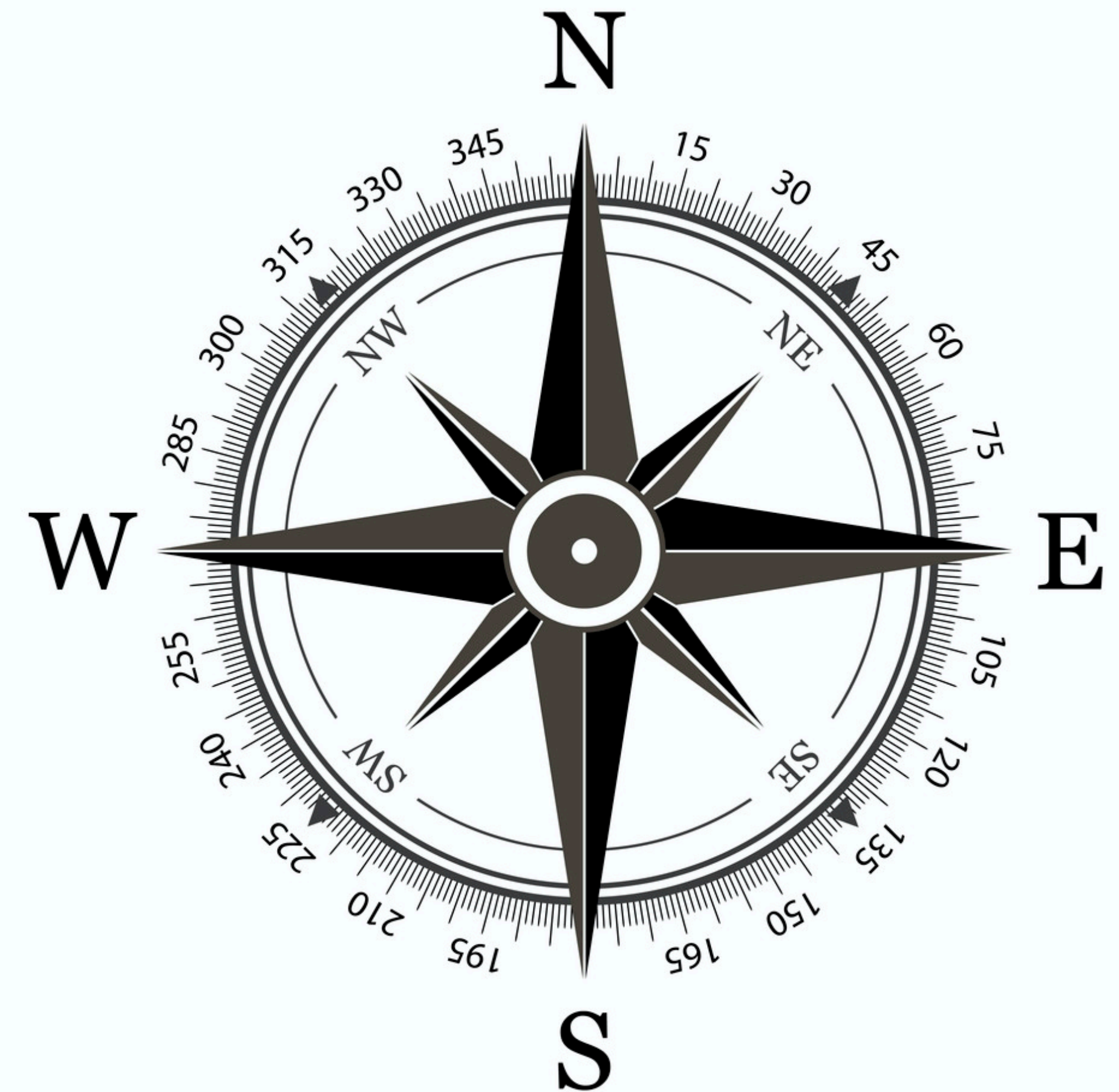
> Our approach: **Ostrom's Polycentric climate governance**

• **Policentricity:**

- 'Interaction between multiple governing authorities at different scales, which are mostly or completely independent when making norms and rules within a specific domain' (Tosun, 2018: 152).

• **Governance:** concept in flux (Jordan *et al*, 2018)

- Transboundary environmental problems have been tackled by **displacing of control 'up' to the international level, 'down' to the regional and local levels of government and 'out' to non-governmental and civil society organisations**



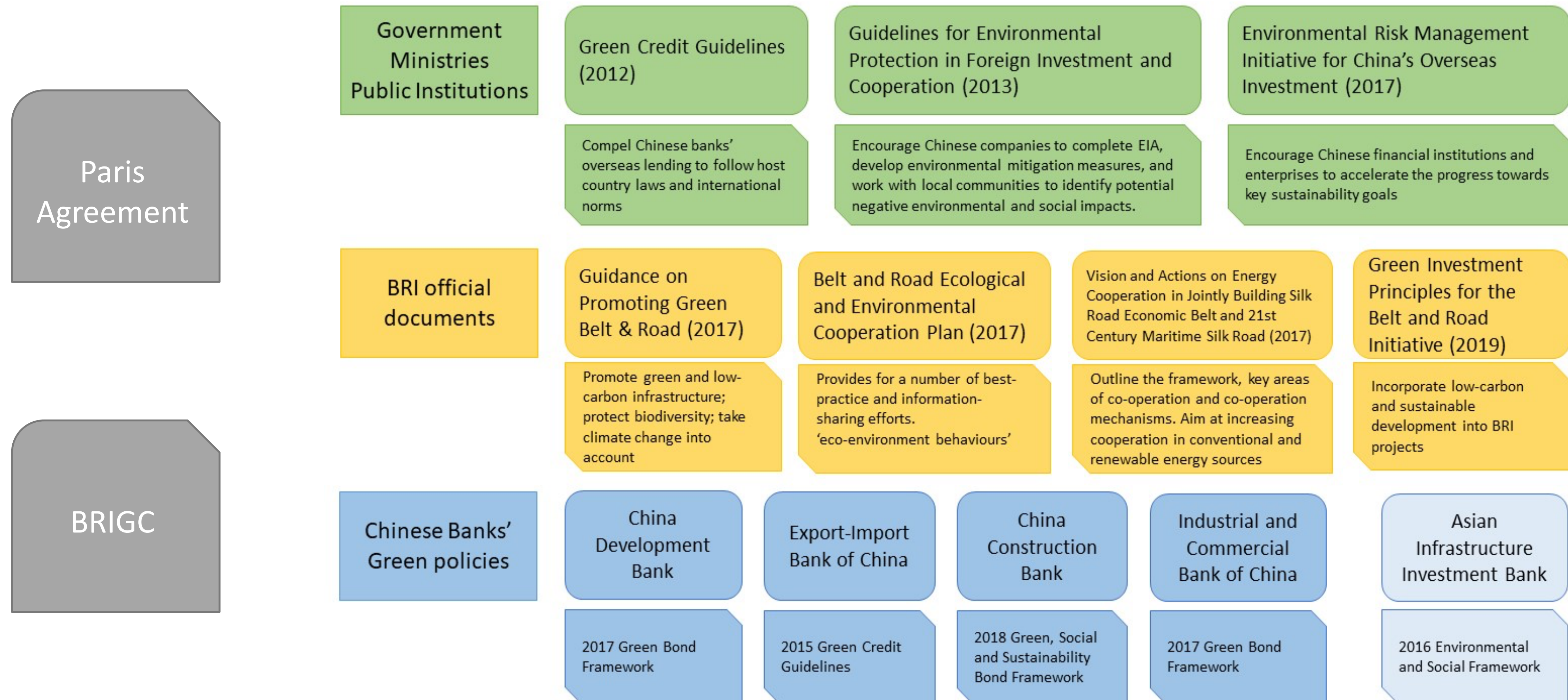
METHODS

- **Secondary research**
 - › Literature review
 - › Gray literature: official docs
- **Primary research**
 - › Semi-structured elite interviews
 - Research
 - Think tanks
 - Business associations
 - Policy-makers
 - NGO's
 - Finance
 - International organisations



RESULTS

Figure 1: China's overseas and BRI green and climate policies



Sources: Ren *et al.* 2017, Sandalow 2019, Ministry of Ecology and Environment of the People's Republic of China 2017.

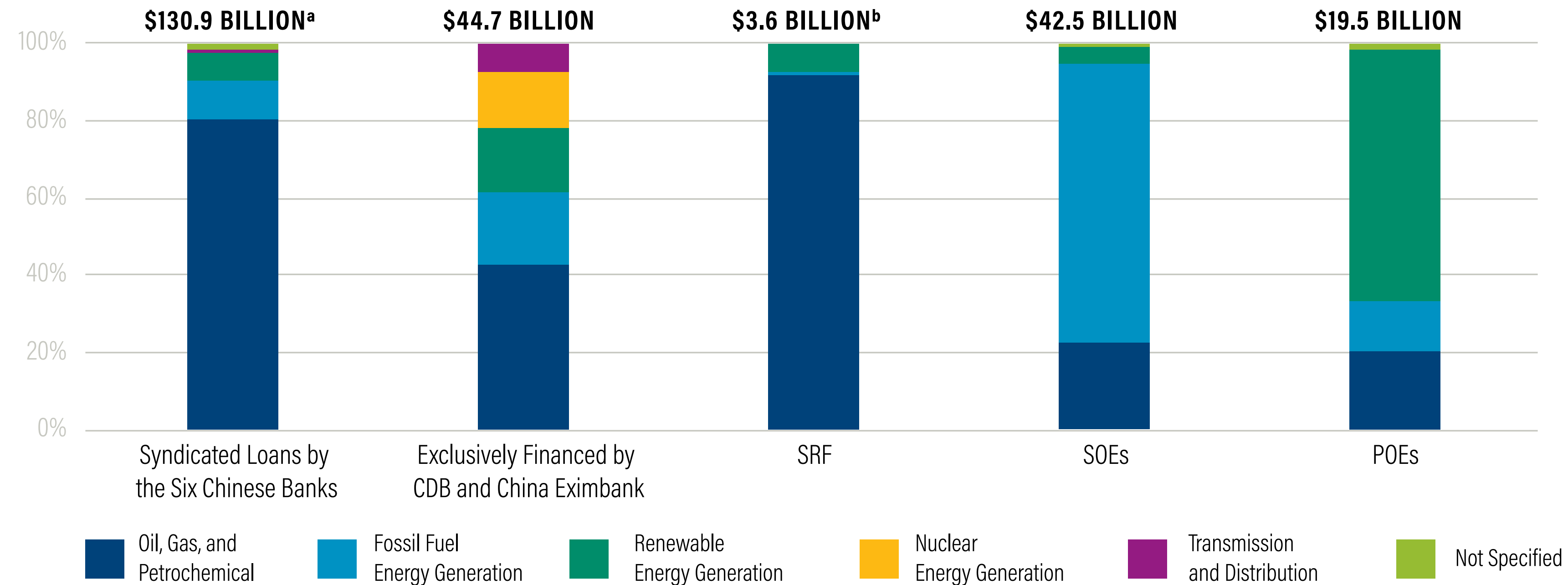
Table 1. Types of Chinese Investments in some BRI countries

TYPE	SUBTYPE	COVERED SECTORS	DATA SOURCES
DEBT	Syndicated loans ^a with participation by: <ul style="list-style-type: none"> ■ Chinese development/policy banks <ul style="list-style-type: none"> □ CDB □ China Eximbank ■ Four largest Chinese state-owned commercial banks <ul style="list-style-type: none"> □ Agricultural Bank of China (ABC) □ Bank of China (BOC) □ China Construction Bank (CCB) □ Industrial and Commercial Bank of China (ICBC) 	Energy and Transportation	<ul style="list-style-type: none"> ■ Thomson ONE ■ Dealogic ■ Bloomberg New Energy Finance (BNEF)
	Loans exclusively financed by CDB and/or China Eximbank ^b	Energy	<ul style="list-style-type: none"> ■ Boston University's Global Development Policy Center^c
EQUITY	Silk Road Fund (SRF) ^d	Energy and Transportation	<ul style="list-style-type: none"> ■ SRF disclosures ■ Chinese government websites ■ Media reports
	Chinese nonfinancial enterprises <ul style="list-style-type: none"> ■ State-owned enterprises (SOEs) ■ Private-owned enterprises (POEs) 	Energy and Transportation	<ul style="list-style-type: none"> ■ Dealogic

Source: Zhou *et al* (2018: 7)

RESULTS

Figure 2. China's Energy-Sector Financial Flows to BRI Countries by Subsector, 2014-2017



Notes: ^a Syndicated loans by the six Chinese banks are total loan amounts of projects in which the six Chinese banks participated. The actual loan contributions by individual banks were not available for many of the transactions. The six Chinese banks are China Development Bank, Export-Import Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Industrial and Commercial Bank of China.

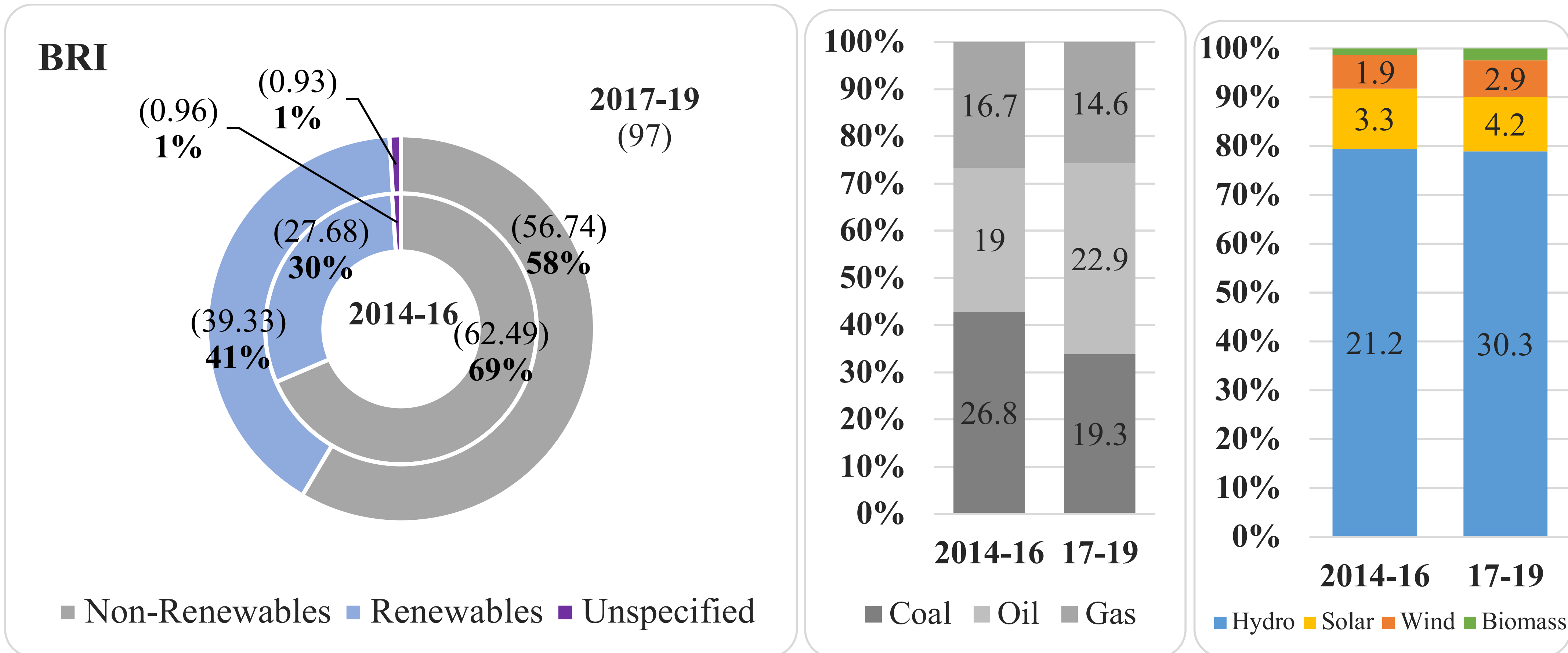
^b SRF includes four project investments that disclose investment amounts.

Source: Authors' calculations.

Source: Zhou *et al* (2018: 3)

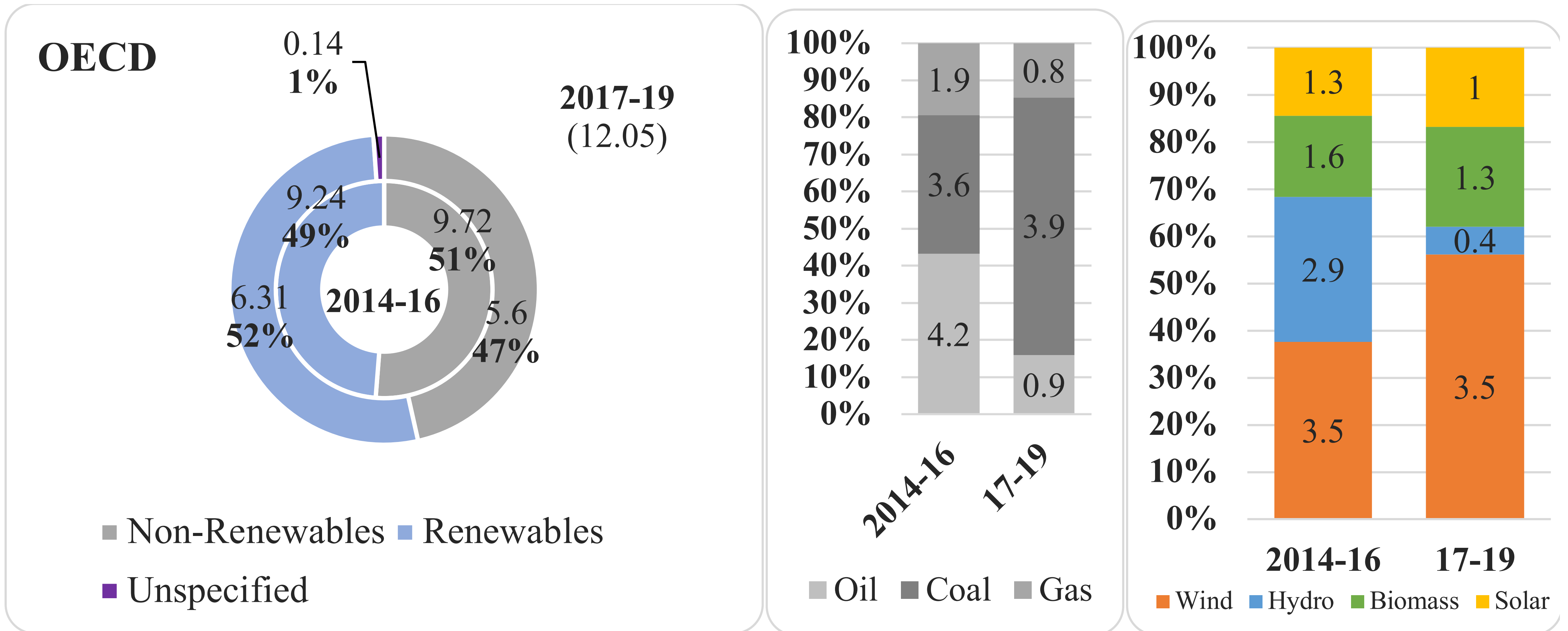
RESULTS

Figure 3: China's energy investments and construction contracts by sector in BRI and OECD countries, 2014-19, % and USD billion (in parentheses)



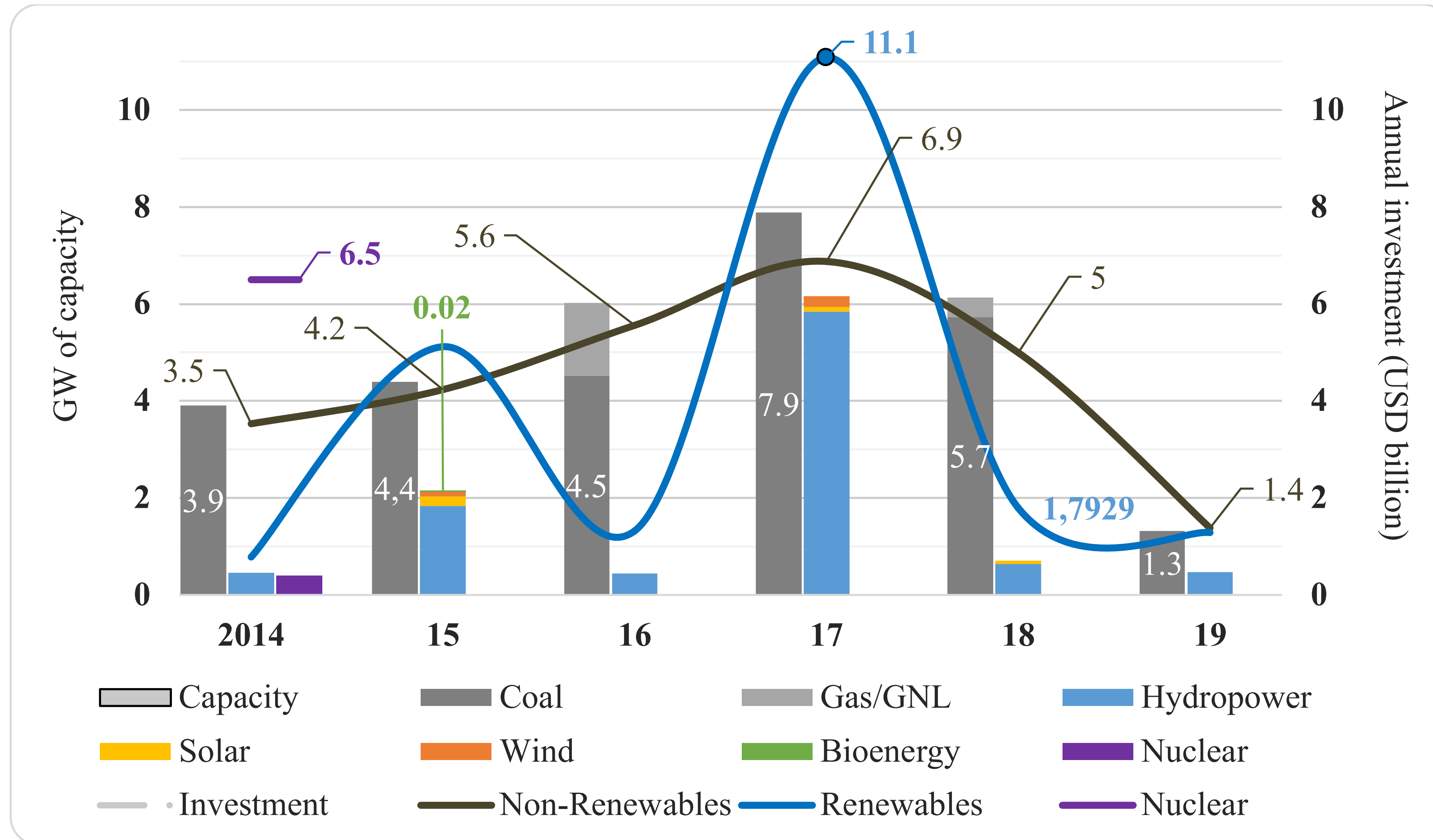
RESULTS

Figure 3: China's energy investments and construction contracts by sector in BRI and OECD countries, 2014-19, % and USD billion (in parentheses)



RESULTS

Figure 4: China's major policy banks' energy investments flows in BRI countries⁴ by sector, 2014-19, USD billion and GW



Source: China Global Energy Finance Database.

DISCUSSION



- Goal of a less carbon intensive BRI (reputation and long-term engagement) is counteracted by short-term business/development opportunities for host governments, Chinese financing institutions and companies involved in BRI projects.
- Greening the BRI through soft guidance, lack of sanctions for non-compliance--)
“transform and upgrade”. Capacity building + change in corporate culture.

KEY TAKEAWAYS



- Mind the DATA gaps!
- Significant amount of international and Chinese initiatives to Green the BRI.
- 80% of energy sector financial flows to BRI countries to fossil fuels (2014-2017) Zhou et al (2018).
- Deep dive into China's main policy Banks (CDB & Exim):
 - › 2014-2019: fossil fuel investments and capacity addition dominate;
 - 2014-2016: fossil fuel investments and capacity additions dominate;
 - 2017-2019: fossil fuel and capacity additions dominate but greater convergence as regards investments.
- Far from being aligned with Paris/fostering NDCs in BRI recipient countries.
- Green BRI aspirational: soft guidance vs. business as usual and hard guidance.
- Why: accomodating demands from different domestic and international actors in climate governance.

TAHNK YOU!

Mario Esteban: mario.esteban@uam.es



Lara Lázaro Touza: laralazaro@universidadcisneros.es





THANK YOU

