

## **COP27: China Pavilion Panel Discussion**

### **Transition Finance and Financial Innovation for Carbon Neutrality**

Speaker: Richard Sheng, Secretary of Board of Directors, Ping An Group

Date: 11 November, 2022

#### **Q: How does Ping An Group see the impact of carbon neutrality and climate transition, especially the risks and opportunities posed by energy transition?**

Climate change is a common challenge faced by all mankind. As an active participant in global governance, China put forward the "30-60" goal in 2020, namely peaking carbon emissions by 2030 and achieving carbon neutrality by 2060. As estimated, China needs direct investment, amounting to more than RMB100 trillion, presenting financial institutions opportunities to create social value while improving revenues.

In response to climate risks, Ping An released its second TCFD (Taskforce on Climate-related Financial Disclosures) report in 2021, which incorporated climate change as an important part of the Group's long-term development strategy. Specifically, the identification and management of climate-related financial risks is an essential step to deal with climate change, including physical risks and transition risks. Also, Ping An calculated the scale of bank credit and investment portfolio in eight high-carbon emitting industries and their climate risk exposure. Strategically, Ping An has undertaken initiatives to mitigate the financial risks related to climate change, and help the country achieve the 30-60 carbon goals by deploying green and low-carbon assets and reducing the proportion of high-carbon emitting assets.

**[Investment Innovation]** As the world's second largest economy and the largest energy importer and consumer, China has immediate demand for energy security. Meanwhile, as the country has been working towards the 30-60 carbon goals, the stable and safe energy transition has been a definite trend. Ping An has fully leveraged the advantages of the long-term capital of insurance funds to match the long cycle of green projects, giving fresh impetus to low-carbon development while obtaining steady income. Guided by the green and low carbon philosophy, green investment and financing made by Ping An exceeded RMB300 billion as of September 2022. Of particular note is Ping An's visionary move to invest in the clean energy vertical. For example, Ping An Capital had invested RMB25.6 billion in carbon neutrality equity as of the first half of 2022, of which RMB13.2 billion, more than half of the total, was invested in clean energy. In November 2021, with the assistance of Ping An Capital, Ping An Life Insurance, as the core strategic investor, increased its capital by RMB2 billion to participate in the project of CGNPC Wind Power Co., Ltd., taking up 2.16% of the shares upon the completion of investment, assisting CGN Wind Power in the development of clean energy projects, such as wind and photovoltaic powers.

**[Insurance Innovation]** Insurance is one of the major industries confronting climate change risks in the financial sector. Ping An has been studying and monitoring global climate change risks, such as rising sea levels and extreme climate disasters, in a bid to reasonably price insurance products and control underwriting risks. In practice, by combining the characteristics of catastrophe insurance and index insurance, Ping An Property and Casualty Insurance has developed and launched a new product, Catastrophe Parametric Insurance. Taking heavy rainfall and typhoon data as parameters for an index, once the condition for payout is triggered, the payout amount can be verified based on the policy without on-site inspection and damage assessment, which helps accelerate post-disaster reconstruction and resumption of business operations. Since May 2022, Shaoguan City in China's Guangdong Province, has been hit by rounds of heavy rainfall, setting new records. As the rainfall exceeded the threshold agreed in catastrophe insurance, triggering the payout conditions, Shaoguan Municipal Government was compensated RMB82.8046 million, the highest single amount of catastrophe insurance compensation in Guangdong Province in the last five years. The total amount of compensation received by Shaoguan has reached RMB103 million this year, and the accumulated compensation amount has reached nearly RMB300 million.

**[Business Innovation]** In addition to enterprise services, Ping An is also targeting retail customers. In May 2022, Ping An launched the personal carbon bank account platform - [Low Carbon Home](#), the first dual-card carbon account in China that combines debit cards and credit cards, covering 110 million users. The platform can calculate customers' personal carbon emission reductions based on their spending patterns. In exchange, customers can enjoy a wide selection of green benefits, representing Ping An's effort to support the green transition of consumers' lifestyles.

#### **Q: Planning for the transition of high-carbon emitting business**

In the 2021 TCFD report I just mentioned, Ping An measured the carbon emissions of its portfolio and disclosed its high-carbon assets for the first time. Of the total assets owned by investment and banking companies under Ping An Group, less than 2% are engaged in eight high-carbon emitting industries. In the future, we will further enhance the accuracy and precision of climate risk assessment to provide stronger support for strategy and management.

China is "rich in coal, short of oil and gas" in its energy endowment. Coal accounts for a high proportion of energy, while non-fossil energy, including renewable energy and nuclear energy, are making up a larger share steadily.

While propelling the transition of traditional coal-powered and high-carbon emitting clients, Ping An has also actively communicated with them to raise their

awareness of emission control and consumption reduction, and offered technology means to empower them to monitor emission data and better navigate the path of transition. Our coal-related business policy statement is also a strong testament to Ping An's leadership. Ping An will conduct 100% project-based evaluation on all thermal coal mining and thermal power generation projects in its investment business from 2022, and it is requested by the Company to issue an evaluation report as a record.

Ping An has also scaled up investment in green industries in terms of investment mix, as I mentioned earlier about our green investment, credit and insurance. To promote the development of green industry, Ping An Group set up a green finance committee led by Chairman Peter Ma Mingzhe last year. As part of its efforts to boost green finance businesses, Ping An Bank has established a green finance division at the head office level to coordinate efforts and ensure the branches carry out concrete works in accordance with the instructions provided by the head office.

Going ahead, Ping An will dynamically adjust the control of high-carbon industries and support for green industries according to relevant national policies and market reactions, and earnestly fulfill its corporate social responsibility as a financial institution.

Climate change is a common challenge faced by all mankind, and carbon neutrality is the only solution for the economy to shift the focus from high speed to high quality. We believe that as the global energy crisis becomes imminent, it is unreasonable and irrational to withdraw all investment and financing of high-carbon industries rashly and completely, because social instability, and increased burden on households, run contrary to the concept of sustainable development and the demands of stakeholders. Local conditions should be taken into account when a certain policy is to be implemented and more localized decisions should be made. Green investment goes beyond not burning coal. From the perspective of sustainable development, it is cost-effective and reasonable to make full use of transitional financial products to help high-carbon emitting coal and oil enterprises cut emission intensity step by step, so that the outdated production capacity can be phased out by projects with efficiently utilized resources, through efforts made in both emission reduction and increase of green projects. These are areas where Ping An is considering allocating insurance funds.