ISSN: 2710-0170

Research on the Legal Protection of Green Credit in China under the Dual Carbon Goals

Yan Liu[1], Lishan Zhang[2]

[1] School of Law, Anhui University of Finance & Economics, Bengbu Anhui 233030, China;

[2] School of Business Administration, Anhui University of Finance & Economics, Bengbu Anhui 233030, China.

Abstract

Green credit is an important means of financial support for green and low-carbon transformation and promoting sustainable development, and is an important means to achieve the dual carbon goals . At present, China's green credit is mainly promoted by various green credit policies, but there are problems such as the lack of legislation, the lack of a mandatory constraint mechanism, and the imperfect supervision system. The imperfect legal system is not conducive to the stable development of green credit, and thus cannot provide strong support for achieving the dual carbon goals . This study starts from the legal issues of green credit in my country and focuses on the legal issues existing in the current development of green credit in my country. First, the concepts of green credit and related fields are defined and analyzed, the characteristics of green credit are discussed from the perspective of economic law, and the main theoretical basis for studying green credit is explained. Secondly, the legal issues existing in the implementation of the green credit system in my country at this stage are analyzed, and the development status of the green credit system in major foreign countries is explained. Finally, drawing on foreign legal practice experience and combining the overall situation of my country's economic development and social operation, countermeasures and suggestions for solving my country's green credit legal issues are proposed, providing perfect legal support for the long-term development of my country's green credit, thereby promoting the development of green finance and green economy and achieving the dual carbon goals.

Keywords

Green credit, dual carbon goals, legal protection, sustainable development.

1. Introduction

1.1. Research Background:

The dual carbon goals , namely carbon peak and carbon neutrality, are important strategic goals for China to address climate change and promote green and low-carbon transformation. Carbon peak means that China's carbon dioxide emissions will reach a peak and no longer grow before 2030; carbon neutrality means that by 2060, all carbon emissions will be offset by taking various measures to achieve net zero emissions. The proposal of this goal reflects China's positive attitude and responsibility in global climate governance. Green credit, as a financial tool, refers to banks and other financial institutions supporting environmental protection, energy conservation, resource conservation and ecological protection projects through loans, investments, etc., to promote green and low-carbon economic development. Green credit can not only guide funds to green industries, promote technological innovation and industrial upgrading, but also effectively reduce environmental pollution and resource waste, and achieve

ISSN: 2710-0170

a win-win situation for economic development and environmental protection. Therefore, the status and role of green credit in achieving the dual carbon goals are crucial.

1.2. Significance

Studying the legal protection of green credit is of great significance to achieving the dual carbon goals . First, legal protection can provide an institutional basis and a normative framework for the healthy development of green credit, and ensure the stability and continuity of green credit policies. Secondly, by improving the legal system, a mandatory constraint mechanism can be established to increase the enthusiasm of financial institutions to participate in green credit and promote more funds to flow into green projects. Thirdly, legal protection can strengthen supervision, prevent financial risks, and ensure the effective implementation of green credit. Finally, studying the legal protection of green credit can also provide reference for other countries and regions, promote the development of global green finance, and help global climate governance.

2. Domestic and foreign literature review

2.1. Current status of foreign research

Foreign research on the green credit system started early. Scholars usually place the green credit system in the green financial system for specific research, and explore green credit as an innovative tool for green financial policy. Jose Salazar (1998) believes that financial innovations driven by environmental industry demand constitute environmental finance. Sonia Labatt et al. (2002) regard environmental finance as a way or process of raising funds to improve environmental quality and mitigate environmental risks. Alison Babitt (2020) believes that the study of green credit first needs to define its connotation. By clarifying the connotation of green credit, it is proposed to conduct theoretical research on the environmental risk factors faced by financial institutions, thereby promoting the effective promotion of the construction of the green credit system. Francisco Avendano (2020) pointed out that with the rapid development of green finance, the construction of environmental risk assessment mechanisms should be strengthened, a dynamic environmental assessment system should be established, and the environmental impact of corporate projects should be dynamically tracked and evaluated during implementation, so as to timely grasp the environmental information of enterprises, provide banks with a basis for lending, and establish an effective information sharing platform to urge enterprises to fulfill their environmental protection obligations. Keith R. Skene (2020) believes that the development of green finance requires the formulation of unified credit review standards. Through green credit business, the country can indirectly promote the upgrading of industrial structure, efficient use of energy and the development of clean energy, thereby improving the global ecological environment. Ketema Joro Ayane (2020) believes that the government should formulate scientific incentive policies, use a variety of incentive measures, give play to the regulatory role of finance and taxation in economic activities, and provide policy support to banks and enterprises that actively carry out green finance to promote the development of green finance.

2.2. Research state in China

In China, there are still few scholars who have specialized in studying the legal issues arising from the development of the green credit system. Existing literature mainly focuses on the definition of the connotation of green credit, the legal issues existing in the development of the system, and the study of relevant countermeasures. First, regarding the definition of the connotation of green credit, Li Ainian and Lu Zhiwen (2017) believe that the connotation of green credit is mainly based on the business perspective of commercial banks and other financial institutions, providing low-interest loans to promote the development of the green

ISSN: 2710-0170

economy, while taking punitive measures against projects and enterprises that pollute the environment. Secondly, in terms of the legal issues existing in the development of green credit, Liu Tao (2019) pointed out that China's green credit system lacks an effective incentive system, which leads to a lack of motivation for financial institutions to carry out green credit business, and a lack of multi-faceted supervision, including national judicial supervision, environmental protection organization supervision, and public participation supervision. Finally, regarding the solution to the legal issues of green credit, Qin Fangju (2020) believes that China should formulate laws and regulations specifically regulating the development of green credit, and concretize and clarify legal norms to ensure that there is a law to rely on in the development of green credit.

3. Current legal framework for green credit

3.1. Laws and Regulations

At present, laws and regulations related to green credit constitute the basis for its development. The Environmental Protection Law, as China's basic law on environmental protection, provides legal support for green credit. The law requires enterprises to comply with environmental protection laws and regulations in production and operation, and imposes severe sanctions on violators, thereby promoting enterprises to pay more attention to environmental factors in the financing process. The Green Finance Guidance was jointly issued by the People's Bank of China and seven other ministries and commissions to promote the construction of a green financial system, including green credit, green bonds, and green insurance. The Guidance clarifies the definition and scope of green credit and proposes specific policy measures to promote financial institutions to carry out green credit business. In addition, the Comprehensive Work Plan for Energy Conservation and Emission Reduction proposes specific energy conservation and emission reduction targets and measures, requiring governments and enterprises at all levels to take effective measures to promote energy conservation and emission reduction, thereby guiding financial institutions to invest more credit resources in green projects. The Green Credit Project Evaluation Standards classifies and defines green credit projects in detail, and provides specific operational guidelines to help financial institutions better identify and evaluate green credit projects.

3.2. Policy measures

In order to promote the development of green credit, the government and financial regulators have taken a series of policy measures to encourage financial institutions to participate in green credit business and strengthen risk management. First, the government reduces the cost of financial institutions to carry out green credit business through incentive mechanisms such as fiscal subsidies and tax incentives. For example, loan interest subsidies are provided to projects that meet green credit standards, and tax incentives are provided to relevant financial institutions and enterprises to increase their enthusiasm. Secondly, environmental risk assessment and information disclosure systems are key risk management measures. Financial regulators require financial institutions to conduct strict environmental risk assessments before issuing green credits, and regularly disclose the environmental impact and progress of green credit projects to enhance transparency and public supervision. In addition, the introduction of environmental liability insurance can help disperse environmental risks and ensure the smooth implementation of projects. Finally, financial regulators have formulated special green credit policies to guide and regulate the approval, loan quota, risk control and other aspects of green credit business. At the same time, they promote the standardization of green credit and formulate unified green credit standards and indicator systems to regulate the green credit operations of financial institutions and ensure the transparency and operability of green credit projects. Through these policy measures, China has achieved certain results in

ISSN: 2710-0170

promoting the development of green credit, but the legal framework and regulatory mechanism still need to be further improved to ensure that green credit plays a greater role in achieving the dual carbon goals.

4. Current Status and Problems of Legal Guarantee for Green Credit

4.1. Current situation analysis:

At present, the implementation of green credit in China has achieved certain results and has gradually become an important means to promote the development of the green economy. With the active promotion of the government and financial regulatory agencies, the scale and coverage of green credit have continued to expand, and more and more financial institutions have begun to participate in green credit business. According to the latest data, as of the end of 2022, the national green credit balance has exceeded 12 trillion yuan , covering renewable energy, energy conservation and environmental protection, clean transportation and other fields. These funds have not only promoted the development of green industries, but also promoted the green transformation and upgrading of enterprises to a certain extent.

In terms of legal protection, the current laws and policies such as the Environmental Protection Law and the Green Finance Guidance provide a basic legal framework and operational guidelines for green credit. These laws and regulations clarify the definition, scope and operational procedures of green credit, and provide a basis for financial institutions to carry out green credit business. At the same time, the government has further stimulated the enthusiasm of financial institutions through a series of incentives, such as financial subsidies and tax incentives, and promoted the rapid development of green credit business. However, despite these progress, the existing legal protection system still has many shortcomings and cannot fully meet the needs of green credit business.

4.2. Existing Problems

At present, there are still many problems in China's green credit legal guarantee system, which restricts the further development of green credit. First, the imperfect legal system is a major problem. Although the current laws and regulations provide a certain legal basis for green credit, there is still a lack of a special green credit law, which leads to the lack of specificity and operability of legal norms. In addition, there are also ambiguities in the definition and standards of green credit in existing laws and regulations. In actual operations, it is difficult for financial institutions to accurately determine which projects meet the green credit standards, thus affecting the effective implementation of green credit.

Secondly, insufficient enforcement is also a significant problem. Although the government and regulatory agencies have formulated relevant laws and regulations, in the actual implementation process, there are lax enforcement and inadequate supervision. In order to pursue short-term interests, some enterprises and financial institutions may make false declarations and evade supervision, which weakens the actual effect of green credit. At the same time, financial institutions are not very enthusiastic about green credit. Although there are incentives such as fiscal subsidies and tax incentives, many financial institutions have a wait-and-see attitude towards launching green credit business due to the complex environmental risk assessment, long revenue cycle, and lack of mandatory requirements for green credit projects. In addition, the lack of information sharing mechanism also restricts the development of green credit, making it difficult for financial institutions to obtain corporate environmental information in a timely manner, thereby increasing the operational difficulty and risks of green credit.

In summary, although China's green credit has made some progress under the legal guarantee and policy support, the existing legal guarantee system still needs to be further improved. Only

ISSN: 2710-0170

by strengthening the construction of the legal system, improving law enforcement, enhancing the enthusiasm of financial institutions and improving the information sharing mechanism can we better promote the development of green credit and provide a solid guarantee for achieving the dual carbon goals.

5. International Experience and Inspiration

5.1. Learning from international experience

Internationally, many countries have accumulated rich experience in the legal protection of green credit, especially the practices of the EU and the United States in this field are worth learning from. As the global leader in green finance, the EU has a relatively complete green credit policy and legal framework. The EU has clarified the standards and classification of green finance through the Sustainable Finance Action Plan, and issued the Green Bond Standard and Climate Disclosure Standard, providing specific operational guidelines for the implementation of green credit. In addition, the EU has also established a mandatory environmental information disclosure system, requiring companies to disclose their environmental impact and sustainable development measures during the financing process, which effectively improves the transparency and credibility of green credit.

The United States has adopted a series of market-oriented green finance policies to promote the development of green credit through innovative mechanisms and incentives. The "Green Bank" project jointly launched by the U.S. Environmental Protection Agency (EPA) and the Treasury Department provides financing support for green projects through a public-private partnership model to leverage the participation of private capital. The United States also focuses on establishing a dynamic environmental assessment system to monitor and assess the environmental impact of corporate projects in real time to ensure the environmental benefits of green credit projects. In addition, the U.S. Clean Energy Act clarifies the standards and operating procedures for green credit, provides legal protection, and encourages financial institutions to independently innovate green financial products and services.

Japan and South Korea have also made significant progress in green credit. Japan promotes the implementation of green credit policies through the cooperation of the Ministry of Environment and the Ministry of Finance, and strengthens the supervision of green credit through complete laws and regulations. South Korea, through its national green growth strategy, regards green credit as an important component to promote sustainable economic development. The practice of these countries shows that a sound legal framework, strict regulatory measures and effective market incentive mechanisms are the keys to promoting the development of green credit.

5.2. Enlightenment to China

In light of international experience, China can learn from and improve on the following aspects in promoting legal protection for green credit. First, special green credit laws and regulations should be formulated as soon as possible to clarify the definition, standards and operating procedures of green credit, provide legal basis and operating guidelines, and ensure that green credit business has laws to follow. At the same time, the environmental information disclosure system should be strengthened, requiring enterprises to disclose their environmental impacts and sustainable development measures when applying for green credit, so as to improve transparency and credibility. Secondly, the environmental risk assessment and dynamic monitoring mechanism should be strengthened, and the practices of the European Union and the United States should be learned to establish a systematic environmental risk assessment system to monitor and evaluate green credit projects in real time to ensure their environmental benefits. An information sharing platform can be established to achieve information exchange between financial institutions, enterprises and regulatory agencies, so as to timely grasp the

ISSN: 2710-0170

environmental information of enterprises and reduce the operational risks of financial institutions. In addition, the government should increase incentives for green credit, learn from the "green bank" model of the United States, and stimulate the enthusiasm of financial institutions and enterprises to participate in green credit through various incentives such as public-private cooperation, fiscal subsidies and tax incentives. A special green financial fund can be established to support the development of green credit projects and promote industrial structure upgrading and green economic transformation. Finally, supervision and law enforcement should be strengthened to ensure the effective implementation of green credit laws and regulations. By establishing a dedicated green finance regulatory agency, we can strictly review and supervise green credit projects, prevent false reporting and regulatory evasion, and ensure the regular and standardized development of green credit.

By drawing on advanced international experience and combining it with China's national conditions, China can build a more complete legal guarantee system for green credit, provide strong support for achieving the dual carbon goals, and promote the healthy development of green finance and the green economy.

6. Suggestions on improving the legal protection of green credit in my country

6.1. Improvement of the legal system

In order to further improve the legal and regulatory system of green credit, China should formulate a special green credit law as soon as possible to clarify the definition, standards, scope of application and operating procedures of green credit, and provide a comprehensive legal basis and operating guidelines. This law should cover all aspects of green credit, including certification standards for green projects, environmental risk assessment requirements, information disclosure regulations, etc., to ensure that financial institutions have laws to follow when conducting green credit business. In addition, the existing relevant laws and regulations should be systematically sorted out and revised, and the requirements of green credit should be incorporated into laws such as the Environmental Protection Law and the Banking Law to form a complete legal system and provide a solid legal basis for the healthy development of green credit.

6.2. Strengthening the regulatory mechanism

In order to ensure the effective implementation of green credit laws and regulations, it is necessary to strengthen the supervision of green credit. First, a special green finance regulatory agency can be established to review and supervise green credit projects to ensure the authenticity and environmental benefits of the projects. Secondly, a sound environmental risk assessment system should be established to conduct strict environmental risk assessment and dynamic monitoring of green credit projects to ensure that the projects meet the green credit standards. In addition, supervision of financial institutions should be strengthened, and the compliance of their green credit business should be regularly checked to prevent false declarations and evasion of supervision. By strengthening supervision, the standardization and standardized development of green credit business can be ensured.

6.3. Optimization of incentive mechanism

In order to promote the active participation of financial institutions in green credit business, it is necessary to optimize the incentive mechanism. The government can reduce the cost of financial institutions in carrying out green credit business through financial subsidies, tax incentives and other means. For example, loan interest subsidies can be provided for projects that meet green credit standards, and tax incentives can be provided for financial institutions and enterprises that carry out green credit business. In addition, a special green financial fund

ISSN: 2710-0170

can be established to support the development of green credit projects and promote the upgrading of industrial structure and green economic transformation. By optimizing the incentive mechanism, the enthusiasm of financial institutions and enterprises to participate in green credit can be stimulated, and the rapid development of green credit business can be promoted.

6.4. Social supervision and public participation

Social supervision and public participation are of great significance in green credit. In order to enhance transparency and sense of responsibility, a sound information disclosure system should be established, requiring financial institutions and enterprises to regularly disclose the environmental impact and progress of green credit projects. At the same time, an information sharing platform can be established to promote information exchange between financial institutions, enterprises, regulatory agencies and the public, ensuring that the public can timely understand the implementation of green credit projects. In addition, environmental protection organizations and social groups should be encouraged to participate in the supervision of green credit, forming a multi-party supervision pattern and strengthening social supervision. By strengthening social supervision and public participation, the transparency and credibility of green credit projects can be improved to ensure that they truly serve environmental protection and sustainable development goals.

Acknowledgements

This work is supported by 2023 National Undergraduate Innovation and Entrepreneurship Training Program, Project number: 202310378320.

References

[1] Qin Teng , Ma Jianfeng, Tong Jinping, Yang Qianjun. Green credit, marketization and green transformation and upgrading of heavily polluting enterprises: moderated mediating effect[J]. Soft Science, 1-14.

[2] Zhang Shijing , Zhang Xiaoyuan . Green finance and taxation, green credit and consumer preferences under the “dual carbon” goal[J]. Macroeconomic Research, 2024, (04): 91-103.

[3] Liu Jinke, Liu Jixuan, Chao Ying. Green credit and low-carbon transformation: capital integration or technological innovation? — Evidence from a quasi-natural experiment[J]. Journal of Quantitative and Technical Economics, 2024, 41(06): 151-171.

[4] Liu Lu, Wang Jiayao, Zhang Jian. Research on the correlation between China's carbon finance, green credit and green insurance: from the perspective of internal coordination of the green financial system [J]. Financial Forum, 2024, (04): 46-59.

[5] Guo Junjie, Fang Ying, Guo Ye. Environmental regulation, short-term failure tolerance and corporate green innovation: Evidence from green credit policy practice[J]. Economic Research, 2024, 59(03): 112-129.

[6] Chen Haihan , Lv Yiqun. Evolution and simulation study of green credit, government regulation and enterprise green technology innovation[J]. Operations Research and Management, 2024, 33(01): 212-218.

[7] Chen Tingqiang , Lin Wenjuan, Wang Lei, Yu Lean. Research on low-carbon behavior decision-making of chemical enterprises based on carbon trading and green credit [J]. Chinese Journal of Management Science, 1-14.

[8] Li Qiang, Chen Shanman . Green credit policy, financing cost and corporate green technology innovation[J]. Economic Issues, 2023, (08): 67-73+120.

[9] Zhou Xiaoxiao , Meng Yu, Zhao Xin . Evolutionary game dynamic analysis and empirical research on green finance promoting corporate green technology innovation[J]. China Industrial Economy, 2023, (06): 43-61.

ISSN: 2710-0170

[10] Pan Haiying, Dong Yue . Green credit and capital structure adjustment of high-polluting enterprises: an analysis based on the perspective of social responsibility[J]. Industrial Economic Review, 2023, (05): 93-108.