



British Embassy  
Beijing

CHINA

PROSPERITY FUND STRATEGY

POLICY OBJECTIVES

Financial Year 2016/17

In China, the Prosperity Fund has six objectives which are consistent with the global Prosperity Fund's goal of promoting economic reform and growth while supporting the delivery of China's 13th Five Year Plan (2016-20). Our initial bidding process invites bids in the following areas:

<b>GOAL 1: FINANCIAL SECTOR</b> To improve the efficiency and sustainability of China's economic growth through financial sector reforms.		
<b>OBJECTIVES</b>	<b>OUTCOMES/INDICATORS (expected changes over next 1-2 years)</b>	<b>Suggested Projects for 2016/17</b>
(1.1) Development of the offshore RMB market facilitating the internationalisation of the RMB.	<p>(1.1.1) Greater RMB liquidity in offshore markets created by increasing issuance of sovereign debt, local government debt, quasi-sovereign debt and commercial debt instruments in overseas markets.</p> <p>(1.1.2) Greater use of one or more leading global foreign exchange hubs, facilitating greater RMB internationalisation.</p> <p>(1.1.3) Improved global RMB FX infrastructure – including ensuring China's New International Payments System incorporates global experiences (including the UK's).</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Identify key reforms to quota regime for inward financial services investment including simplifying licensing procedures for overseas investors.</li> <li>- Identify key next steps and policy initiatives to help further develop one or more leading global financial centres outside Asia as offshore RMB centre, including UK.</li> <li>- Look into China's new Five-Year-Plan on financial services and significant policy implications for offshore RMB.</li> </ul>
(1.2) Development of, and greater international investment in, Chinese insurance markets.	<p>(1.2.1) Greater foreign investment and access to the Chinese pensions market.</p> <p>(1.2.2) Greater foreign investment and growth of overseas private firms in the health insurance sector.</p> <p>(1.2.3) Fair and level playing field in regulatory treatment of international insurers in China.</p> <p>(1.2.4) Greater international investment and participation in the Shanghai national insurance platform.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Identify key reforms to regulatory treatment of health insurance and/or pensions system to facilitate greater overseas investment and participation.</li> <li>- Share best practice on regulatory treatment of foreign insurers through implementation of C-ROSS and foreign participation in the Shanghai national insurance platform.</li> </ul>
(1.3) Development and deepening of China's capital markets, including through greater international investment.	<p>(1.3.1) Greater international private sector investment in the Chinese sovereign and local bond market, and greater liberalisation on access to the inter-bank bond market for qualified institutional investors.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Propose ways to facilitate greater overseas investment in the Chinese sovereign, local and inter-bank bond markets.</li> </ul>

	<p>(1.3.2) Greater international investment in the Chinese asset management industry.</p> <p>(1.3.3) Greater onshore debt issuance by international companies.</p> <p>(1.3.4) Greater connectivity between China's capital market and global markets allows Chinese investors to diversify their portfolios into overseas assets, and increased foreign participation in China's capital market.</p>	<ul style="list-style-type: none"> <li>- Consider mutual fund recognition between one or more leading global financial centres and China, licensing of international asset managers to conduct business, and reforms to ownership structure to allow majority ownership of Chinese asset managers.</li> </ul>
<p>(1.4) Development of a robust, effective and proportional financial services regulatory system.</p>	<p>(1.4.1) Deeper understanding of respective regulatory systems and sharing of expertise to help support a robust, effective and proportional regulatory system in China.</p> <p>(1.4.2) Promote greater safety and soundness of firms in fields including P2P lending, banking and securities consumer protection, dispute resolution, and securities regulation.</p>	
<p>(1.5) Protecting the integrity of the Chinese financial system by tackling illicit finance.</p>	<p>(1.5.1) Greater sharing of expertise on tackling illicit activities in the financial sector.</p> <p>(1.5.2) Reform of regulatory system on financial system and requirements regarding transparency of company ownership.</p>	
<p>(1.6) Development of Chinese derivatives markets.</p>	<p>(1.6.1) Improved linkages between Chinese and global commodity markets (particularly using London Metal Exchange), including proposals to provide options for commodity exchange denominated in RMB for gold, gas and oil markets.</p> <p>(1.6.2) Greater provision of derivatives and options to help international institutional investors better access and manage exposure to Chinese capital markets.</p> <p>(1.6.3) Greater understanding of respective financial market infrastructures, including in particular Qualified Central Counterparties and wider exchange-traded and OTC derivatives markets.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Facilitate exchange of knowledge in the derivatives markets, including proposals to allow greater cross-listing and trading of indices and derivatives.</li> </ul>

<p>(1.7) Government departments implementing green finance mechanisms with engagement from other key institutions including banks, stock market investors and public investors.</p>	<p>(1.7.1) Acceleration of green finance, including the greening of state banks, development of a green investment bank (funds), investor education and green bonds.</p> <p>(1.7.2) Increased interest and accountability from financial institutions and investors on green finance and investment.</p> <p>(1.7.3) Increased transparency on capital dedicated to low carbon objective.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Pilot green finance models and tools, and develop measures to reduce the investment cost of green infrastructure.</li> <li>- Support management of financial risks with stranded assets.</li> <li>- Support voluntary and mandatory environmental information reporting and disclosure.</li> <li>- Allow for exchange China and one or more leading global financial centres on green finance such as green banking regulation and practice.</li> </ul>
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**GOAL 2. DOMESTIC AND CROSS-BORDER INVESTMENT**

To improve the investment climate, and to facilitate the efficient allocation of domestic and cross-border investment in a sustainable, environmentally and socially responsible way.

OBJECTIVES	OUTCOMES/INDICATORS (expected changes over next 1-2 years)	Suggested Projects for 2016/17
<p>(2.1) Investment climate: China develops its investment climate in accordance with internationally accepted standards, facilitating domestic and international investment in a sustainable, environmentally and socially responsible way. To include opening new and existing markets to international investment and ensure a level playing field for international firms.</p>	<p>(2.1.1) Successful development of the Shanghai Free Trade Zone, with international and UK policy and commercial support, in particular with a focus on implementation of a negative list approach and reform of the investment system.</p> <p>(2.1.2) Successful development of new pilot FTZs in Guangdong, Fujian and Tianjin.</p> <p>(2.1.3) Streamlining of approval processes, standards for goods and services, public procurement, investment catalogues, legal services (other market asks inc. IP, pharmaceuticals and health care, anti monopoly law, financial services and insurance sector issues are dealt with against other strategy objectives).</p> <p>(2.1.4) Progress on breaking down barriers to trade and investment, and on increasing market access opportunities. Including in the areas of public procurement, financial services, pharmaceuticals and healthcare, ICT and legal services.</p> <p>(2.1.5) Tackling corruption, including illicit finance.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Support the development of the Free Trade Zones, taking forward the recommendations of the City UK and CBBC research papers on FTZs.</li> <li>- Support streamlining of approval processes for businesses in China.</li> <li>- Support tackling of corruption, including illicit finance and commercial disputes.</li> </ul>

	(2.1.6) Other indicators for assessing the investment climate.	
(2.2) Infrastructure: facilitating infrastructure financing, both within China and for cross-border investment.	<p>(2.2.1) Enhanced Chinese understanding of the investment environment in other countries (including the UK).</p> <p>(2.2.2) Wider and more effective use of innovative financing methods, including PPP, in China and abroad (including drawing on UK expertise).</p> <p>(2.2.3) Successful, sustainable Chinese investment in other countries (including the UK), with investors understanding and being sensitive to recipient countries' requirements.</p> <p>(2.2.4) Internationalised business partnerships leading to more sustainable outbound Chinese investment in third markets.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Support Chinese firms investing along OBOR and in third markets to use international expertise on sustainable development and innovative finance methods (including PPP).</li> <li>- Support the inclusion of the robust social and environmental assessment criteria in the outbound investment decisions of Chinese investment institutions such as Silk Road Investment Bank, CDB and Eximbank.</li> </ul>
(2.3) Structural reform: supporting the re-balancing of China's economy and improving access to accurate information on the economy.	<p>(2.3.1) Research and policy support to help China achieve more balanced economic growth.</p> <p>(2.3.2) More transparent national statistics and budget transparency.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Support central government financial management and fiscal architecture.</li> <li>- Facilitate collaboration between statistical agencies and macroeconomic forecasting experts.</li> </ul>
(2.4) Intellectual property: China demonstrates commitment to a non-discriminatory and transparent intellectual property regime to enable effective protection and enforcement of IP.	(2.4.1) Chinese IP administrative agencies or courts incorporate international best practice into regulations/practice guidance in priority areas of IP.	<p>Possible project areas include:</p> <ul style="list-style-type: none"> <li>- Copyright licensing and collecting societies.</li> <li>- Bad-faith trade mark applications and well-known trademarks.</li> <li>- Civil enforcement procedures (e.g. limited discovery procedures, pre-trial measures, expert witnesses).</li> <li>- Online enforcement.</li> </ul>

**GOAL 3: INTERNATIONAL ENGAGEMENT ON ECONOMIC AND TRADE ISSUES****To increase China's engagement on economic and trade policy co-ordination, to promote strong, balanced and sustainable economic growth for China and for the rest of the world.**

<b>OBJECTIVES</b>	<b>OUTCOMES/INDICATORS (expected changes over next 1-2 years)</b>	<b>Suggested Projects for 2016/17</b>
(3.1) G20: China plays a leading role in the G20, reflecting its size and its role in the global economy.	(3.1.1) China plays an active leadership role at the G20, both during the Chinese Presidency of the G20 and beyond. To include making progress on key issues such as anti-corruption and transparency, tax, trade, financial regulation, financial inclusion, development, climate change, global health security including anti-microbial resistance, and green finance.	Projects that: <ul style="list-style-type: none"><li>- Support China's engagement at the G20.</li></ul>
(3.2) Trade: China has a leading role in multilateral trade negotiations, and is a leading global voice for free trade.	(3.2.1) China plays an active leadership role at the WTO in working towards completion of the Doha Development Agenda. (3.2.2) Increased engagement with the OECD. (3.2.3) Successful conclusion of the Environmental Goods Agreement, and China's accession to the Government Procurement Agreement (GPA). (3.2.4) An ambitious EU – China BIT is agreed, setting the basis for a subsequent EU – China FTA.	Projects that: <ul style="list-style-type: none"><li>- Support China's engagement with multilateral and plurilateral trade negotiations, especially Doha Round, Trade in Services Agreement, Information Technology Agreement and Environmental Goods Agreement.</li></ul>
(3.3) International economic institutions: China makes strong and positive contributions to reform of international economic institutions.	(3.3.1) China's views on IFI reform are informed by views and experiences of other nations, as well as its own. (3.3.2) China plays an increasingly active role in international economic institutions. (3.3.3) China-based international investment institutions use world-class standards for environmental and social impacts.	Projects that: <ul style="list-style-type: none"><li>- Support dialogue between global experts and Chinese on (but not limited to) IFI reform.</li><li>- Support Chinese engagement with international economic institutions (including the Bretton-Woods institutions, but also the OECD, IEA, and other global standard-setting and influential institutions).</li><li>- Support the AIIB and the NDB to include best-practice social and environmental assessment criteria in their investment decisions.</li></ul>

**GOAL 4. STRUCTURAL REFORM**

To improve the sustainability of China's economic model through structural reforms.

OBJECTIVES	OUTCOMES/INDICATORS (expected changes over next 1-2 years)	Suggested Projects for 2016/17
(4.1) China develops general policies and institutional structures for improving regulation and good governance.	(4.1.1) Legislative, judicial, regulatory and legal reform agenda are brought forward with improved regulations and reinforced good governance and rule of law.	Projects that: <ul style="list-style-type: none"> <li>- Provide innovative ways to reform the governance of social and political structures.</li> </ul>
(4.2) China's science policy develops towards a more open environment for international innovation collaboration in sectors which will drive future economic growth.	(4.2.1) China regulatory framework for open data are further developed and implemented. (4.2.2) China's industrial standards harmonised with international norms. (4.2.3) China's innovation research framework configured to maximise opportunities for science and innovation collaboration with international partners. (4.2.4) China's science policy in specific sectors informed by robust use of evidence, is strategic and linked to commercial and social needs.	Projects that: <ul style="list-style-type: none"> <li>- Help develop new domestic and international regulations in key sectors including standards on big data and open data (e.g. geospatial data).</li> <li>- Help China to open its markets for international commercial partnerships and platforms (e.g. geospatial data, smart cities, other open data applications).</li> <li>- Help China to move towards compliance with OECD regulations on chemical testing standards – in pharmaceuticals, cosmetics, industrial and agro chemicals.</li> <li>- Help China establish some of the infrastructure to ensure compliance with international standards (e.g. verification agencies).</li> <li>- Help China align itself with international norms in key sectors (e.g. animal welfare, land remediation, electrical vehicles).</li> <li>- Help China incorporate international best practice in its Intellectual Property Rights standards (see International Engagement on Economic and Trade Issues above).</li> <li>- Help China develop and implement its Science and Technology funding reforms to reflect best practice in terms of transparency and resource effectiveness.</li> </ul>

		<ul style="list-style-type: none"> <li>- China establishes platforms that enable a wide range of domestic and international expertise to feed into new science policy in key areas including environmental sustainability, agritech, water policy, land remediation, air pollution and fields relevant to China's Strategic Emerging Industries and "Made in China 2025", including manufacturing, materials and industrial design.</li> </ul>
<p>(4.3) China develops its education sector to be able to adapt and meet future educational needs and social change.</p>	<p>(4.3.1) Online education- China improves its education equality/access and online education quality.</p> <p>(4.3.2) Vocational education - China develops and upskills its talents in 4-5 key industries to address the industry upgrade development needs.</p> <p>(4.3.3) China's research capacity and institution-industry cooperation is improved, with a focus on supporting Chinese research and industry development by leveraging top international, notably UK, university research products/results.</p> <p>(4.3.4) China's internationalised education offers in school and early childhood education sectors in China is improved.</p> <p>(4.3.5) Gender equality and diversity are promoted through education to unlock talent that can be hired and retained by companies.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Support the education technology development in China across content, software, hardware and platforms.</li> <li>- Support China vocational and professional qualification and training development, focused on areas of promise in bilateral economic relations (e.g. finance, health, hospitality, modern services), based on a gap analysis produced through a professional qualifications mapping exercise.</li> <li>- Focus on China Free Trade Zone Talent Cultivation Projects: Including mapping/research on free trade zones talent needs and skill gaps; Establishing pilot talent training centres in one of the FTZs with international expertise (including UK); Expanding to other zones, centres and framework set up for introducing International and UK qualifications and trainings.</li> <li>- Help improve China's research capacity and institution-industry cooperation, with a focus on supporting Chinese research and industry development by leveraging top international and UK university research products/results.</li> <li>- Support the internationalised education offers in school and early childhood education sectors in China.</li> <li>- Contribute to women empowerment actions that will contribute to China's evolving education policies, positively shape social changes, and China's</li> </ul>



		sustainable growth through increased women empowerment.
<p>(4.4) China develops its domestic and international creative and cultural industries as part of its shift away from manufacturing and investment-led growth.</p>	<p>(4.4.1) Film and Television – International filmmaking and TV practices, methods of making co-productions are better understood; policy for international cooperation, especially with UK, is strengthened.</p> <p>(4.4.2) Winter Olympics – Challenges faced by China in constructing a sustainable games with a strong legacy whilst upgrading infrastructure and transport are addressed.</p> <p>(4.4.3) Football – Development of an administrative and policy architecture in China which will encourage commercial and sporting success.</p> <p>(4.4.4) Gaming – China’s understanding of creative gaming and intellectual property development is improved, new models of co-production and development are created. The sector is more internationalised.</p> <p>(4.4.5) Cultural Heritage in China is better protected and through better policy making and implementation.</p> <p>(4.4.6) Museums and Galleries – commercial and creative sustainability is improved.</p> <p>(4.4.7) Fashion - China industry’s moves from its role as manufacturer to developing industry brands for an international market.</p>	<p>Projects that help:</p> <ul style="list-style-type: none"> <li>- China's film industry and television production companies and policy makers to improve skills, expertise and policy frameworks for operating in international markets.</li> <li>- Green and sustainable plans for infrastructure in Hebei for Winter Olympics sites and related projects - Including technologies and methods that reduce emissions and promote environmental protection.</li> <li>- Access for International companies, including UK sports and infrastructure companies, to bidding for contracts for Winter Olympics.</li> <li>- Policy and regulations for football in China to encourage a strong grassroots, to amateur to professional pyramid.</li> <li>- Address the challenges faced by Chinese gaming manufacturers to develop creative and commercial skills required to move up the value chain and internationalise.</li> <li>- China to address pressures facing Chinese cultural heritage, driven by economic construction, climate change, natural disasters, environmental changes and tourism development.</li> <li>- China to develop of curatorial and business development skills to encourage commercial and creative success in domestic and international markets.</li> <li>- China's fashion retail and design industry to deepen its understanding of international retail processes, creative collaboration and retail development.</li> </ul>

<p>(4.5) China develops its health and social care sector to deliver more cost effective, high quality and transparent care services in a way that reduces global health threats.</p>	<p>(4.5.1) Improved health care provision in China including primary care, care for the elderly and chronic disease management.</p> <p>(4.5.2) Development of measures to ensure an effective response to global health threats, including how to incentivise reduced use of antimicrobials.</p> <p>(4.5.3) Building a health service system in China which is sustainable and incorporates the benefits of digital health.</p>	<p>Suggested projects:</p> <ul style="list-style-type: none"> <li>- The role of a professional leadership organisation in elevating the status of general practice in China; tiered health systems in China; training general practitioners.</li> <li>- Surveillance of antibiotic use in hospitals; public awareness of antimicrobial resistance.</li> <li>- Improving the sustainability of the health service system in China.</li> <li>- Improving care in the community for elderly people in China.</li> <li>- Chronic disease management.</li> <li>- The role of digital health in China's health care system.</li> </ul>
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**GOAL 5: ENERGY AND RESOURCE SECURITY**

To develop China's more active and transparent engagement on energy and resource management to build global energy security and to support a low carbon clean energy transition.

OBJECTIVES	OUTCOMES/INDICATORS (expected changes over next 1-2 years)	Suggested Projects for 2016/17
<p>(5.1) China's energy policy shows an increase of gas and low carbon sources in the energy mix, contributing to emissions reduction and enhanced energy security.</p>	<p>(5.1.1) China develops effective policy objectives and investment frameworks for a diverse and sustainable energy mix, with coal increasingly being replaced by lower carbon alternatives.</p> <p>(5.1.2) China accelerates its domestic production of both conventional and unconventional gas.</p> <p>(5.1.3) China develops a road map for the implementation of power sector and gas market reforms to support the requirements of a low carbon economy.</p> <p>(5.1.4) China's authorities engage with the public and interested groups on the development of new energy sources, technologies and infrastructure to bring about greater understanding and buy in for deployment.</p>	<p>Projects that support development of policy and financial frameworks with private sector engagement in the following areas:</p> <ul style="list-style-type: none"> <li>- Energy market reform with a focus on power and gas sectors: Regulation, technical support on price reforms, system unbundling, demand side response. Projects should look to engage at the detailed policy level, draw on international expertise and build on previous year's prosperity projects.</li> <li>- Unconventional gas: Shale gas and coal bed methane policy, including mineral rights, environmental protection and community engagement.</li> <li>- Nuclear: Development of joint standards.</li> </ul>

		<ul style="list-style-type: none"> <li>- Coal: Managing the social and economic impacts of shifting from coal to other energy sources.</li> <li>- Public engagement and consultation on low carbon and new energy sources: Transparent processes for engaging interested communities in new energy projects, and environmental issues.</li> </ul>
(5.2) China's energy market and industrial structure contributes to global cost reduction of new energy technologies.	<p>(5.2.1) China introduces policies and incentives which bring new energy technologies to market at lower cost.</p> <p>(5.2.2) China introduces policies and incentives which aid the integration of new power and energy technologies.</p>	<p>Projects that support development of policy and financial frameworks with private sector engagement in the following areas:</p> <ul style="list-style-type: none"> <li>- Renewable energy: Structures, subsidies, finance and incentives which encourage effective roll out, full capacity utilisation and the flexibility needed to integrate new technologies (including storage).</li> <li>- Offshore wind: Support for UK-China industrial partnerships which enable cost reduction.</li> <li>- Marine energy: Linking policy incentives to research, development and demonstration activities.</li> <li>- Bio energy: Management/utilisation of waste-water sludge.</li> </ul>
(5.3) China undertakes an active role in the international energy system and increases capacity to respond to energy emergencies so as to minimise potential risk on energy prices and supplies.	<p>(5.3.1) China increases role in global energy governance structures, supported by even more developed domestic data collection systems.</p> <p>(5.3.2) China develops capacity to respond to energy emergencies.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Support China's increasing role in international energy governance structures, including through the G20.</li> <li>- Develop greater capacity to provide practical responses to dealing with energy emergencies.</li> <li>- Build further capacity in domestic data collection.</li> </ul>
(5.4) The decision making of China's government and companies takes into account the sustainable use and good governance of natural resources.	<p>(5.4.1) China identifies potential implications and management options for handling the impact of energy decisions on water resources, and impact of water resources on energy choices.</p> <p>(5.4.2) Ministries, companies and industry associations engage proactively</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Support the adoption of best practices in the management of water resources in energy systems.</li> </ul>

	with global institutions and initiatives for sustainable governance of resources.	<ul style="list-style-type: none"> <li>- Support adoption of industry best practice in governance of resource investments, extraction and operations.</li> </ul>
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**GOAL 6: CLEAN AND LOW CARBON TRANSITION**  
**To drive a clean and low carbon transition, boost green growth and help prevent dangerous climate change.**

OBJECTIVES	OUTCOMES/INDICATORS (expected changes over next 1-2 years)	Suggested Projects for 2016/17
<p>(6.1) China has implemented robust policy, institutional and regulatory frameworks to enable its clean and low carbon transition.</p>	<p>(6.1.1) Increased ambition expected in the 13th Five Year Plan through the Green Development strand delivers clear policy impact.</p> <p>(6.1.2) Increased cooperation among key Ministries and other stakeholders to support delivery of low carbon initiatives.</p> <p>(6.1.3) Increased engagement of private sector in implementing low carbon action plans.</p> <p>(6.1.4) Expanded and successful innovation and experimentation of clean, low carbon policy frameworks.</p> <p>(6.1.5) Increased cooperation among key Ministries and other stakeholders to support development of Carbon Capture Utilisation and Storage.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Make effective use of economic evidence, such as the New Climate Economy Study, to substantiate the benefits of climate change mitigation.</li> <li>- Support provinces in understanding the wider social and economic considerations of a low carbon transition.</li> <li>- Support models of development in the centre and west of China which avoid high carbon lock in (these will need to have regional benefit rather than just having a city level impact).</li> <li>- Aid the development of new targets for limiting greenhouse gas emissions and implementation of existing GHG targets.</li> <li>- Projects that support CCUS development at a Provincial and National level.</li> </ul>
<p>(6.2) China's industrial structure supports more effective use of non-fossil energy, reduced carbon emissions and cleaner growth.</p>	<p>(6.2.1) Relevant Chinese government ministries advance development and implementation of national and regional energy efficiency initiatives that complement the national ETS.</p> <p>(6.2.2) Adoption of energy efficiency tools for industry supporting delivery of the 13th Five Year Plan.</p> <p>(6.2.3) Policy makers demonstrate increased understanding of promoting Clean and Energy Efficient Production.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Develop policy and regulatory structures that improve industrial energy efficiency and encourage a clean, low carbon industrialisation. Involvement of key Ministries inc NDRC, MIIT and SASAC.</li> <li>- Transform the price and investment incentive, and financing options for enterprises so clean growth is the preferred option.</li> </ul>

	(6.2.4) Adoption of new and innovative low carbon financing models for energy efficiency.	- Build on and roll out tools generated through previous projects for low carbon industry.
(6.3) China closing the finance and investment gap to meet climate change and low carbon development targets.  Note: we have a green finance objective under our financial sector reform goal on page 4.	(6.3.1) Increased Government ambition and cross-government coordination on climate finance.  (6.3.2) Policy mechanisms supporting use of government funds for climate finance.	Projects that:  - Support engagement of key ministries, finance and service sectors in the development of climate finance mechanisms.
(6.4) Successful implementation of China's National Emissions Trading Scheme (ETS) in 2017.	(6.4.1) National ETS complements other low carbon policies.  (6.4.2) National ETS incorporates: <ul style="list-style-type: none"> <li>• Successful mechanisms from the pilots.</li> <li>• A stringent emissions cap, minimising excess permits, setting an effective carbon price (learning lessons from EU ETS).</li> <li>• Compatibility of linking with international carbon market.</li> <li>• Greater transparency in cap setting, allocation and MRV.</li> </ul> (6.4.3) Acceleration of finance innovation in the development of carbon markets.  (6.4.4) Emitting industry sectors demonstrate enhanced carbon asset management capacity and market performance.  (6.4.5) Increased capacity in market risk management.	Projects that:  - Promote successful mechanisms from pilots to be incorporated into development of the national scheme.  - Support sharing of expertise amongst UK and Chinese industry and other experts to facilitate planning and implementation for national ETS.  - Work with the finance and service sector to support development of the National ETS.  - Projects that build capacity of industry on carbon asset management and risk management.  - Develop the 3rd party verification market.  - Ensure that the lessons learned from EU ETS are considered during the cap setting process.  - Prevent carbon leakage in key sectors.  - Promote greater transparency on cap setting, allocation and MRV.
(6.5) China has recognised the risks of climate change as a long term threat to economic security and sustainable growth and has implemented policy and institutional frameworks to avoid	(6.5.1) Climate Risk moves into the national policy and institutional framework as an economic security issue.  (6.5.2) Expanded cooperation on risk assessment beyond the China National Expert Committee and UK Committee on Climate Change	Projects that:  - Generate scientific evidence in different sectors to broaden the understanding of climate risk.

<p>and manage the risks posed by climate change.</p>	<p>to include other key actors.</p> <p>(6.5.3) Increased involvement of key stakeholders to support the delivery of risks assessment in relevant areas including (but not exclusively) global agricultural and food system, coastal cities and sea level rise; and human health.</p> <p>(6.5.4) Increased engagement with the private sector (insurance and consultancy for example) to provide solutions and drive policy and regulation.</p>	<ul style="list-style-type: none"> <li>- Provide socio-economic evidence that will expand the discussion of climate risk and the potential impact on economic security issues and sustainable growth objectives.</li> <li>- Develop and encourage innovation from the financial, insurance and consultancy sectors that will help drive policy regulation.</li> <li>- Support Provincial Governments to understand the danger from climate risk, the limits to adaptation and the need to develop resilience.</li> <li>- Development of case studies or pilots at a Provincial level.</li> </ul>
<p>(6.6) China develops the policies and capacities it needs for the sustainable, effective and comprehensive implementation of the New Urbanisation Plan.</p>	<p>(6.6.1) Enhanced know-how and capacity. Government officials and mayors deliver sustainable urbanisation as set out in the New Urbanisation Plan and the Central Urban Work Conference.</p> <p>(6.6.2) Sustainable, efficient and equitable city cluster development.</p> <p>(6.6.3) Smart cities development, featuring best practice standards and increased connectivity between cities, universities, research institutes and private companies.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Address the key challenges of sustainable urbanisation and the professional skills gap in local government.</li> <li>- Projects that support better city cluster development.</li> <li>- Actively engage key ministries and cities in development of smart city solutions and standards.</li> <li>- Create and build connectivity between cities, universities, research institute, industry and private and public funding sources to accelerate smart city development.</li> </ul>
<p>(6.7) China's policy decisions on urbanisation have at their core low carbon and environmental sustainability.</p>	<p>(6.7.1) China puts sustainability at the heart of its approach to developing policies and solutions in integrated planning, urban regeneration and TOD (Transit-Oriented Development).</p> <p>(6.7.2) Green and low carbon criteria are introduced to the new and retrofitted buildings, and transport sector.</p> <p>(6.7.3) Development of policies and institutional framework which improve urban resilience and city management, particularly the 'sponge city' initiative.</p>	<p>Projects that:</p> <ul style="list-style-type: none"> <li>- Actively engagement key ministries in developing and implementing integrated planning, green building, regeneration and TOD.</li> <li>- Projects that support China's 'sponge city' initiative both at the national level and in pilot cities.</li> <li>- Support rolling out studies and implementation of</li> </ul>

(6.7.4) Stronger policies for controlling city-level emissions from transport, particularly through low emission/congestion zones.

emissions/congestion zones in China.

- Build on the current land remediation project in South China.
- Build on the current sustainable airport infrastructures project.