

DOI 10.58351/2949-2041.2026.36.7.007

Лю Шуай, Докторант
Университет Их засаг
Liu Shuai, Ph.D candidate
Ikh Zasag University

Чулуунбат Шархуу, Профессор, доктор
Университет Их засаг
Chuluunbat Sharkhuu, Professor, Ph.D
Ikh Zasag University

**ИССЛЕДОВАНИЕ ЗАКОНОДАТЕЛЬНЫХ ПРОБЛЕМ
ЗЕЛЁНОГО ФИНАНСИРОВАНИЯ В КИТАЕ: АНАЛИЗ ИНСТИТУЦИОНАЛЬНОЙ
СТРУКТУРЫ И МЕХАНИЗМОВ РЕАЛИЗАЦИИ В УСЛОВИЯХ
ДОСТИЖЕНИЯ ЦЕЛЕЙ ДВОЙНОГО УГЛЕРОДА
RESEARCH ON THE LEGISLATIVE DILEMMAS OF GREEN FINANCE IN CHINA:
AN ANALYSIS OF INSTITUTIONAL STRUCTURE AND IMPLEMENTATION
MECHANISMS UNDER THE “DUAL CARBON” GOALS**

Аннотация. В условиях реализации китайских целей двойного углерода достижения пика выбросов углерода и углеродной нейтральности зелёное финансирование стало важнейшим институциональным инструментом содействия экономической трансформации и достижения целей климатического управления. Однако по сравнению со стремительным развитием государственной политики законодательство Китая в сфере зелёного финансирования всё ещё недостаточно развито с точки зрения системности и верховенства права, что свидетельствует о существенном несоответствии между институциональным обеспечением и практическими потребностями. На основе систематического анализа действующей законодательной базы в статье выделяются четыре ключевые проблемы: низкий уровень правовой иерархии и фрагментарность нормативного регулирования, несогласованность зелёных стандартов, дисбаланс между механизмами стимулирования и ограничений, а также недостаточная координация государственного регулирования и неясное распределение полномочий между ответственными органами. В целях преодоления указанных проблем предлагается сформировать единую законодательную основу, обеспечить правовое закрепление и гармонизацию зелёных стандартов, оптимизировать сбалансированную систему стимулирующих и ограничительных мер, а также усилить межведомственную координацию в сфере регулирования. Делается вывод, что углубление институциональной интеграции и повышение эффективности правоприменения в области законодательства о зелёном финансировании будут способствовать укреплению правовой определённости и повышению эффективности функционирования рынка, обеспечивая тем самым стабильную и устойчивую правовую поддержку реализации целей двойного углерода.

Abstract. Against the backdrop of China’s “dual carbon” goals—carbon peaking and carbon neutrality—green finance has emerged as a crucial institutional instrument for promoting economic transformation and achieving climate governance objectives. Compared with the rapid evolution of policy practices, China’s green finance legislation remains underdeveloped in terms of systematization and rule-of-law orientation, revealing a notable tension between institutional supply and practical demand. Based on a systematic review of the current legislative framework, this article identifies four representative dilemmas: the low hierarchical status of legal norms and fragmentation of regulations, inconsistency in green standards, imbalance between incentive and constraint mechanisms, and insufficient regulatory coordination coupled with unclear allocation of responsibilities. In response, this study proposes establishing a unified legislative framework, legalizing and harmonizing green standards, optimizing a balanced incentive–constraint regime, and



strengthening cross-departmental regulatory coordination. It is argued that advancing institutional integration and strengthening enforcement capacity in green finance legislation will improve legal certainty and market effectiveness, thereby providing stable, sustainable legal support for achieving the “dual carbon” goals.

Ключевые слова: Зелёное финансирование, цели двойного углерода, финансовое законодательство, институциональная координация, устойчивое развитие

Keywords: Green finance, dual carbon goals, financial legislation, institutional coordination, sustainable development

INTRODUCTION

Since the announcement of China’s carbon peaking and carbon neutrality goals, green finance has become a central policy instrument for promoting low-carbon economic transformation and facilitating sustainable development (Campiglio, 2016; Volz, 2018; Bolton et al., 2020). Through the rapid expansion of green credit, green bonds, green insurance, and carbon finance, China has gradually established one of the world’s largest green finance markets. Such developments are broadly consistent with global trends in sustainable finance and climate-related investment (UNEP, 2016; Soundararajan & Vivek, 2016). Nevertheless, the institutionalization of green finance remains significantly uneven, as policy innovation has advanced much faster than legal development.

Existing studies have primarily focused on the economic functions of green finance, the effectiveness of green financial instruments, and the role of financial markets in supporting environmental governance (Taghizadeh-Hesary & Yoshino, 2019; Weber, 2017). Although an increasing body of literature has examined regulatory frameworks and policy implementation, relatively limited attention has been devoted to the legislative foundations of green finance and the institutional challenges embedded within the current legal system. In particular, issues such as fragmented legal norms, inconsistent green standards, weak accountability mechanisms, and insufficient regulatory coordination have not yet been systematically analyzed from a rule-of-law perspective.

The implementation of the “dual carbon” strategy requires not only financial innovation but also a stable and predictable legal framework capable of integrating environmental governance with financial regulation. Similar governance requirements have also been emphasized by international financial institutions and global climate-finance initiatives (NGFS, 2019; IMF, 2024). As green finance expands from policy experimentation to nationwide institutionalization, deficiencies in legislative design have increasingly become a critical constraint on its long-term development. Against this background, this article examines the major legislative dilemmas confronting China’s green finance system and evaluates their underlying institutional causes. By combining normative analysis, textual analysis, and comparative analysis, the study seeks to identify the structural weaknesses of the current legal framework and propose institutional reforms that can strengthen legal certainty, regulatory effectiveness, and sustainable market development under the “dual carbon” goals.

THEORETICAL BACKGROUND

Green finance has emerged as one of the central tools for balancing economic growth with environmental sustainability (Lindenberg, 2014; OECD, 2017). Its development draws heavily from both environmental economics and financial science, and the interaction between these two disciplines has become increasingly important in recent years. Environmental economics focuses on how green investment can improve environmental governance and optimize the allocation of resources, particularly in response to market failures caused by pollution and ecological externalities. Financial science, by contrast, pays closer attention to the innovation of green financial instruments and the role capital markets can play in supporting low-carbon transition (ICMA, 2021; Campiglio, 2016). Green bonds, sustainable investment products, and carbon trading mechanisms all reflect this growing connection between finance and environmental governance.



Even so, China’s rule-of-law development in the field of green finance still differs in several respects from more mature international practices. A number of institutional challenges remain, including fragmented standards, uneven disclosure requirements, and limited coordination between financial regulation and environmental governance. Comparative international experience shows that an effective green finance legal framework cannot rely solely on policy support or broad development goals (European Commission, 2020; TCFD, 2017). It also requires a clear and coherent system of legal standards capable of defining green activities, regulating market behavior, and preventing greenwashing (European Commission, 2020; ICMA, 2021). At the same time, stable incentive and constraint mechanisms are equally important. Tax preferences, financial subsidies, disclosure obligations, and liability rules all help shape market expectations and strengthen investor confidence (D’Orazio & Popoyan, 2019; Robins et al., 2017). Without these institutional safeguards, green investment may struggle to maintain long-term credibility or achieve sustainable market growth (Monasterolo, 2020).

METHODS

This study adopts a qualitative legal research design that combines doctrinal legal analysis, textual analysis, and comparative analysis. The integration of these methods allows for a comprehensive examination of both the normative structure and practical operation of China's green finance legal framework.

Through normative analysis, the article investigates the institutional structure, legal logic, and practical effectiveness of China’s existing green finance regulatory framework. The discussion moves across the People’s Bank of China Law, the Commercial Bank Law, the Securities Law, alongside a wide range of policy documents, ministerial regulations, and local legislative instruments related to green finance. A persistent question runs throughout the analysis: why has green finance expanded so rapidly in practice while the legal system behind it still appears fragmented and reactive? The answer lies largely in the absence of a coherent upper-level legal framework and in the weak coordination between regulatory norms. Against this backdrop, the article examines issues such as the low legislative hierarchy of current rules, fragmented regulatory structures, and the ambiguity surrounding environmental liability mechanisms. Particular attention is given to the tension between legal uniformity and regulatory decentralization, which continues to undermine institutional consistency and enforcement capacity (Table 1).

Table 1

Analytical framework for doctrinal legal analysis

Object of Analysis	Analytical Focus	Key Dimensions	Main Findings
Law of the People's Bank of China	Macro-governance functions of green finance	Legal authority and institutional positioning	Limited legal provisions on green finance responsibilities
Commercial Bank Law	Regulation of green credit activities	Environmental risk management and liability mechanisms	Lack of dedicated green finance provisions
Securities Law	Green securities and information disclosure	Disclosure requirements and investor protection	Incomplete environmental disclosure rules
Policy Documents and Ministerial Regulations	Green finance regulatory arrangements	Regulatory framework and supervisory requirements	Low legal status and weak enforceability
Local Green Finance Legislation	Local institutional innovations	Regulatory design and implementation	Significant regional differences
Overall Green Finance Regulatory Framework	Operation of the legal system	Legal coherence and institutional coordination	Regulatory fragmentation and insufficient coordination



The study also adopts textual analysis to examine local legislative experiments in Shenzhen, Huzhou, and Shanghai Pudong New Area. These regional regulations provide a valuable window into the evolving logic of China's green finance governance. Different regions construct distinct regulatory approaches under the same national policy framework due to variations in local industrial structures, governance priorities, economic development levels, and administrative capacities. The divergence is not accidental. It reflects variations in local industrial structures, governance priorities, and administrative capacities. By closely reading these legislative texts, the article identifies substantial differences in green standards, environmental information disclosure requirements, project certification mechanisms, and supervisory arrangements. The analysis further traces the broader trajectory of local green finance legislation in China, using these regional practices as practical references for the construction of a more unified national legislative framework.

Comparative analysis is employed to examine the similarities and differences between China's green finance legislation and international sustainable finance frameworks, particularly regarding green standards, climate-risk governance, disclosure requirements, and regulatory coordination. At the same time, the article examines how inconsistent rules among domestic regulators create opportunities for regulatory arbitrage and weaken market credibility. International regulatory systems increasingly place climate governance and ESG accountability at the center of financial supervision (TCFD, 2017; NGFS, 2019; Dikau & Volz, 2021). China's current policy-oriented model faces increasing pressure in keeping pace with the global transition toward climate-centered financial governance and ESG-based regulatory frameworks (European Commission, 2020; IMF, 2024). The gap is becoming difficult to ignore. By situating China's legislative development within a broader global context, the study seeks to provide institutionally grounded and internationally informed proposals for the future development of China's green finance legal system (Table 2).

Table 2

Comparative Framework for Green Finance Legislation

Dimension	International Practice	China's Framework	Key Findings
Green Taxonomy	Unified classification standards	Gradually harmonized but still fragmented	Further standardization needed
Climate Risk Management	Integrated into financial regulation	Developing regulatory framework	Risk assessment mechanisms require improvement
Environmental Disclosure	Well-established mandatory disclosure	Disclosure requirements expanding	Gaps remain in scope and enforcement
Regulatory Coordination	Mature information sharing mechanisms	Coordination mechanisms evolving	Greater regulatory efficiency needed
Legal Framework	Higher level and comprehensive legislation	Reliance on policy documents	Dedicated legislation should be strengthened

Through methodological triangulation, the study seeks to enhance the reliability of its findings and provide institutionally grounded recommendations for future legislative reform.

RESULTS

The findings indicate that the legislative challenges of green finance in China are not isolated regulatory deficiencies but manifestations of deeper institutional fragmentation. The four major dilemmas identified in this study are highly interconnected and collectively constrain the transition from policy-driven governance to rule-based governance. In particular, fragmented legal authority contributes to inconsistent standards; weak accountability mechanisms reduce regulatory effectiveness; and inadequate inter-agency coordination further undermines implementation capacity. These structural problems reveal that China's green finance legal framework remains in a transitional stage between administrative governance and comprehensive legal regulation.



Legislative Dilemmas of Green Finance in China

In reviewing the current state of green finance legislation in China, it is evident that although the existing framework has made phased progress at the policy level, its overall rule-of-law development remains insufficient, with a pronounced structural mismatch between institutional supply and practical demand. At present, China's green finance legislation faces four major structural challenges (Figure 1). First, the legal hierarchy is relatively low, and the regulatory framework is fragmented, lacking a unified, overarching law to provide guidance. Second, the green standards system has not yet been unified at the national level, with significant discrepancies in classification criteria and evaluation indicators across different departments and regions. Third, while incentive mechanisms are relatively well-developed, constraint mechanisms remain notably weak, resulting in an imbalance that emphasizes incentives over accountability. Fourth, inter-agency regulatory coordination is inadequate, and the allocation of powers and responsibilities remains unclear, thereby undermining enforcement efficiency and overall governance effectiveness. These interrelated issues collectively constrain the effective operation of the green finance legal system and call for systematic legislative integration and institutional optimization.

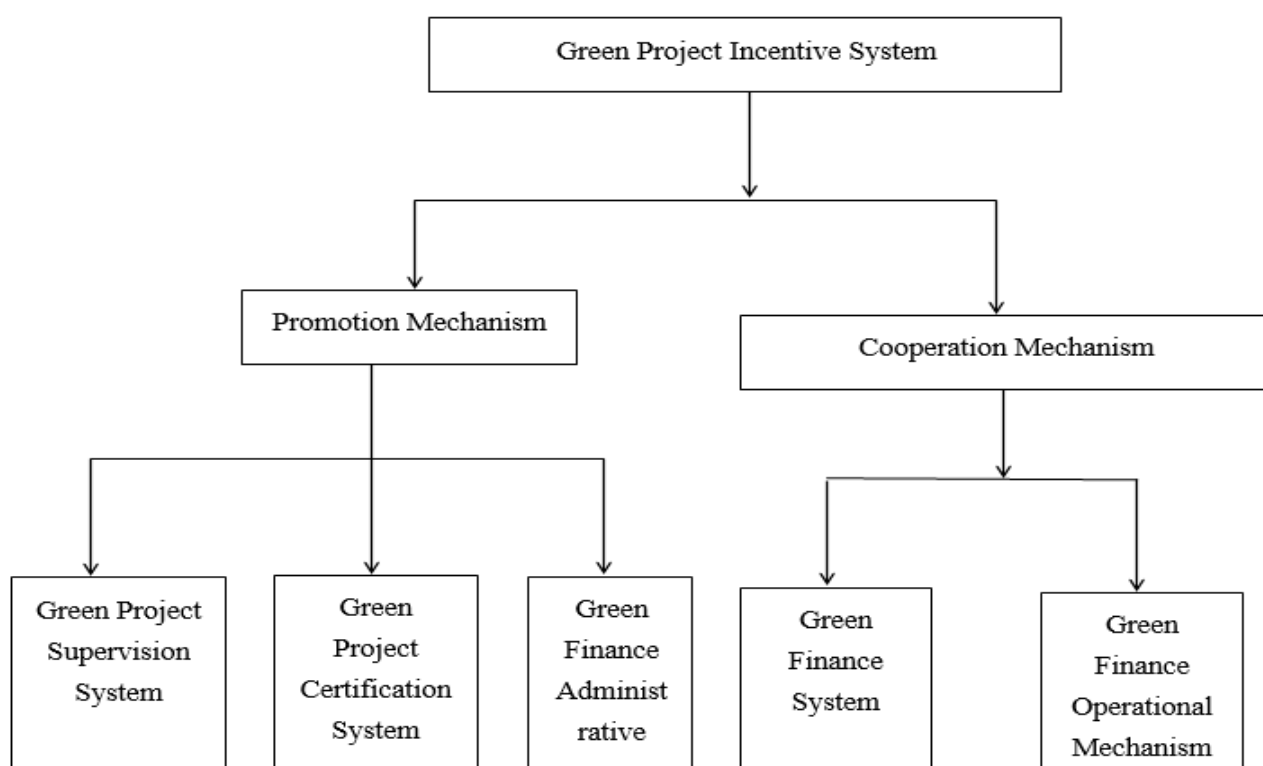


Fig. 1. Structure of China's Green Finance Legal System

Overall, China's green finance legal system remains at an early stage of development. The institutional framework and operational mechanisms of green finance have only taken shape in their preliminary form with limited further expansion and refinement. At the structural level, the existing framework still lacks a more comprehensive and systematic design. In terms of institutional content, unified standards and regulatory rules capable of aligning with mainstream international practices have yet to be fully established. Meanwhile, the operational mechanisms of green finance continue to suffer from insufficient developmental momentum and limited endogenous driving forces.

Coexistence of Low Legal Hierarchy and Normative Fragmentation

At present, China's green finance framework is primarily composed of policy documents and departmental rules, lacking a unified higher-level legal system. Regulatory authorities formulate rules within their respective jurisdictions, resulting in fragmented norms with varying legal force that undermine market predictability. Moreover, the absence of detailed operational provisions renders existing norms insufficient to address practical challenges.

Compared with actual development needs, the legal system lags behind, leaving many issues unregulated. Environmental protection laws often diverge from practical enforcement realities, and commercial banks lack sufficient legal guidance in conducting green finance activities (Zhang, 2006). Furthermore, the absence of clearly defined rights and obligations for the state, enterprises, and citizens within the green finance system weakens legal enforceability.

Existing provisions are often general and lack operational effectiveness, leading to weak implementation and insufficient accountability mechanisms (Ding, 2009). At present, the provisions of China's green finance legislation are primarily advisory and promotional. There is a notable lack of corresponding mechanisms for accountability and punitive measures, which has resulted in these legal provisions being largely ineffective and ineffectual (Wu, 2011). Consequently, risks such as “greenwashing” and capital misallocation have increased, undermining the credibility and comparability of green financial products. Commercial banks lack sufficient legal protection and institutional support when implementing green finance policies, particularly in areas such as pre-loan environmental risk assessment and post-loan supervisory liability. For example, although China's Environmental Impact Assessment Law involves social and environmental review requirements, its provisions remain broad and unclear, with ambiguous operational boundaries and undefined responsibilities. The absence of detailed legal rules and supporting mechanisms has weakened the professionalism of green finance practices and limited the effective fulfillment of corporate social responsibility. When commercial banks assess borrowing enterprises, they still lack unified and professional evaluation standards, resulting in inconsistent and highly discretionary assessments (Xiao, 2022).

Inconsistency in Green Finance Standards

Key elements such as green project classification, environmental information disclosure, and climate risk assessment have not yet been unified nationwide. Although the Green Finance Supported Project Catalog (2025) represents progress toward standardization, such unification mainly concerns classification criteria rather than a comprehensive regulatory framework. Significant discrepancies remain across regions and regulatory bodies regarding the definition of “green” and the measurement of emission reduction effects (People's Bank of China, National Financial Regulatory Administration, & China Securities Regulatory Commission, 2025). Similar challenges were observed during the early development of sustainable finance frameworks in Europe and other jurisdictions (European Commission, 2020; ICMA, 2021). This not only increases compliance costs for financial institutions but also creates loopholes for opportunistic behavior. The fragmentation of standards reflects deeper structural tensions between departmental autonomy, local pilot initiatives, and the absence of national legislation.

Imbalance Between Incentive and Constraint Mechanisms

China's current system emphasizes incentives – such as fiscal subsidies, refinancing instruments, and interest discounts – while legal liabilities for environmental, climate, and disclosure risks remain relatively weak. This asymmetry reduces market participants' internal motivation to sustain green finance practices. Studies have shown that balanced incentive and accountability mechanisms are essential for maintaining market credibility and managing climate-related financial risks (D'Orazio & Popoyan, 2019; Monasterolo, 2020). Financial institutions, particularly commercial banks, prioritize profitability and may overlook environmental responsibilities. Existing legal provisions, including those in banking and financial laws, inadequately address environmental liability, resulting in weak regulatory constraints. Consequently, environmental legal responsibility fails to exert effective deterrence on financial institutions (Liang, 2022).

Insufficient regulatory coordination and unclear allocation of responsibilities

Green finance spans both financial regulation and environmental governance and involves multiple authorities. However, current legal frameworks lack clear provisions on inter-agency coordination, information sharing, and responsibility allocation, leading to regulatory gaps or overlaps. Data barriers persist between environmental and financial systems, hindering effective identification of green projects and monitoring of environmental risks. While environmental authorities possess pollution data, they have limited influence over credit decisions; conversely,



financial regulators lack environmental expertise. This disconnect reduces regulatory efficiency and complicates accountability, especially when environmental incidents trigger financial risks (People's Bank of China, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Ecology and Environment, National Financial Regulatory Administration, & China Securities Regulatory Commission, 2024). In recent years, although the State Council and relevant ministries have repeatedly emphasized the need to strengthen coordinated supervision and information-sharing mechanisms in green finance, a nationally unified and highly efficient collaborative regulatory system is still in the process of further development and improvement (People's Bank of China, Ministry of Ecology and Environment, National Financial Regulatory Administration, & China Securities Regulatory Commission, 2024).

DISCUSSION

Institutional Improvements in Green Finance Legislation

In response to the structural challenges currently confronting green finance legislation, it is necessary to pursue systematic institutional optimization. This should be grounded in the establishment of a unified legislative framework to define the fundamental legal status and normative structure of green finance; centered on the legalization of green standards to promote their harmonization and dynamic adjustment; focused on optimizing a balanced system of incentives and constraints to strengthen legal liability and risk discipline; and supported by enhanced cross-departmental regulatory coordination to clarify the allocation of powers and responsibilities while improving regulatory synergy and enforcement efficiency. Through the coordinated advancement of these multidimensional institutional reforms, green finance legislation can transition from fragmentation to systematization and from policy-driven development to rule-of-law-based governance, thereby providing a solid institutional foundation for the high-quality development of green finance in China.

Establishing a Unified Legislative Framework

To address the low legal hierarchy and fragmented regulations, it is essential to establish a comprehensive Green Finance Basic Law that defines the legislative framework, basic principles, and operational mechanisms of green finance. As previously analyzed, the development of green finance in China has been relatively recent, with legislation lagging behind, and much of it remains at the pilot or policy level, lacking a systematic regulatory framework for green finance. The existing documents consist mainly of scattered, lower-level normative acts that are incomplete and insufficient to create cohesive policy synergy. This results in a lack of robust legal support for green finance implementation, hindering its effectiveness.

To move beyond the current fragmentation in green finance regulation, China needs more than scattered policy documents or overlapping administrative measures. What is missing is a stable legal backbone capable of connecting these separate rules into a coherent national framework. One practical path forward would be to consolidate the existing regulations, guidance documents, and policy instruments into a unified top-level legal structure a national Green Finance Basic Law. Such a law, promulgated by the State Council, could provide the kind of institutional clarity and top-down design that the present system still lacks.

Why does this matter so much? Because green finance no longer operates at the margins of economic policy. It now shapes industrial transition, investment flows, carbon reduction strategies, and even local development priorities. A governance area this complex cannot rely indefinitely on temporary policies or fragmented pilot rules (Bolton et al., 2020; NGFS, 2019). It requires stable legal authority, clear regulatory boundaries, and a shared institutional language that both regulators and market actors can follow with confidence.

A Green Finance Basic Law could establish that common foundation. It would define the core principles of green finance, clarify regulatory responsibilities, coordinate operational mechanisms, and create a more consistent system for implementation across regions and sectors. More importantly, it could reduce the legal uncertainty that often weakens long-term green investment. Investors, financial institutions, and local governments all respond to predictability (OECD, 2017; IMF, 2024). When legal standards remain inconsistent, market confidence tends to fluctuate as well.



At a deeper level, such legislation would help China move from policy-driven green finance toward rule-based green finance. That distinction matters. Policies can shift with economic cycles and administrative priorities, but a stable legal framework creates continuity and institutional credibility over time. The enactment of a national Green Finance Basic Law would therefore do more than simply organize existing rules. It would lay the legal groundwork for a comprehensive green finance system, strengthen coordination between national and local legislation, and provide enduring institutional support for China's long-term green transition.

Furthermore, this framework would require coordination among departmental regulations and local legislative efforts to ensure clarity in the regulatory hierarchy and the orderly integration of content. On this basis, further coordination between departmental regulations and local legislation should be strengthened to promote a clearer normative hierarchy and a more coherent institutional framework. In particular, key mechanisms such as carbon emissions trading, environmental rights pledges, and green project certification should be incorporated into mandatory legal provisions in order to avoid a policy-driven and temporary mode of institutional governance (Wang & Zhi, 2016).

Legalization and Harmonization of Green Standards

To address the issue of inconsistent standards, the core standards of green finance should be formally confirmed through legislation or delegated regulatory authority, thereby establishing a nationally unified, dynamically adjustable green standards system. Additionally, it is essential to align with international sustainable finance standards to enhance comparability and international recognition of China's green finance rules (European Commission, 2020; ICMA, 2021; TCFD, 2017). Furthermore, a comprehensive "legislation-enforcement-judiciary" coordination mechanism should be established to clarify the boundaries of responsibility and information-sharing obligations between environmental protection and financial regulatory authorities, thereby closing the loop on green project certification, environmental risk monitoring, and the flow of credit funds. A dynamic green finance standard update committee, composed of technical experts, industry representatives, and the public, should be established to conduct quarterly assessments of the standards' applicability and ensure that legal provisions remain aligned with technological innovation and industry evolution. Special attention must be paid to preventing "greenwashing" risks (Galaz et al., 2018), embedding third-party verification into mandatory legislative clauses, requiring all green finance products to disclose full lifecycle carbon footprints and ecological benefits, and integrating them with the national environmental information-sharing platform for real-time verification.

For many years, China's green finance market has operated under a fragmented, multi-layered regulatory structure. Different regulatory bodies apply different standards, and the inconsistencies between them have created space for problems such as greenwashing. Take green bonds as an example. The People's Bank of China requires issuers to direct all raised funds toward qualified green projects, manage those funds through dedicated accounts, and accept third-party evaluations alongside periodic disclosure obligations. The National Development and Reform Commission, however, imposes no equally clear requirements in these areas. Once regulatory standards begin to diverge, opportunistic actors inevitably look for gaps to exploit. Oversight becomes easier to avoid, and market credibility starts to weaken. To correct the current imbalance between incentives and constraints, China should preserve existing supportive policies while strengthening legal obligations related to environmental disclosure, climate risk management, and accountability mechanisms. Green finance cannot rely on encouragement alone. Financial institutions need clear legal pressure pushing them to integrate environmental and climate considerations into their long-term risk management systems rather than treating green finance as a short-term policy response or branding strategy.

More specifically, the People's Bank of China could establish a performance evaluation framework for commercial banks that formally incorporates green finance into financial performance assessments. Quantitative indicators might account for 80 percent of the evaluation system, while qualitative indicators cover the remaining 20 percent, with room for adjustment as green finance continues to evolve. Incentives matter here as well. Commercial banks are far more likely to participate actively when regulators connect performance targets with tangible rewards. Financial subsidies, preferential policy support, or honorary recognitions such as "Outstanding Green Finance Unit of the Year" could all strengthen institutional motivation and market participation.



International cooperation also deserves far greater attention. As a developing country still confronting significant environmental pressures, China has strong practical reasons to deepen green finance cooperation with neighboring countries and regional partners. ASEAN economies, for instance, share many similarities with China in both development patterns and environmental challenges. Building partnerships with nearby developing countries may therefore offer a more realistic starting point than immediately competing within highly mature Western green finance markets. China could take the lead through bilateral green finance agreements, joint investment in sustainable projects, and cross-border financial cooperation mechanisms. Such collaboration would strengthen regional economic and environmental ties while also preparing China for deeper participation in the global green finance system and the gradual internationalization of the renminbi.

Public awareness matters just as much as institutional reform. Governments should place greater emphasis on promoting green consumption, expanding public understanding of green finance, and widely publicizing green incentive policies. Once environmental awareness begins shaping everyday consumption habits, market demand itself can push enterprises toward greener production and more sustainable business models. A genuinely green economy cannot emerge through regulation alone; it also depends on broader social participation and changing public expectations.

Questions of legal responsibility require careful design as well. Civil liability should occupy the central position, while administrative and criminal penalties operate as supporting mechanisms. Environmental protection taxes and reforms to the green taxation system should become key pillars of future green fiscal policy. At the same time, amendments to the People's Bank of China Law could gradually shift the existing financial liability framework toward a model centered more clearly on civil responsibility. Such an approach may offer stronger incentives for market participation while still preserving necessary legal discipline.

Because green finance remains an emerging form of financial investment, regulators should avoid excessive control and allow greater development space for commercial banks, particularly private and foreign institutions entering the green finance sector. Green insurance provisions should also be incorporated into the Insurance Law, beginning with pilot programs in selected cities before broader nationwide implementation based on local experience.

As for the Commercial Banking Law, new provisions could explicitly require commercial banks to comply with national industrial policies, actively fulfill environmental responsibilities, and contribute to economic and social sustainability. Commercial banks occupy a central position in financing enterprises and major projects. Their role in sustainable development therefore cannot remain symbolic. Banks should regularly evaluate the environmental impact of lending projects, supervise the use of green finance funds, and gradually establish coordination mechanisms linking green credit with environmental pollution liability insurance.

In the *Securities Law*, green securities provisions should be introduced, with stringent review procedures to prevent “greenwashing” or “whitewashing” of projects attempting to benefit from national policy incentives. Violations should be incorporated into the credit system. The law should clearly define the environmental legal responsibilities of individuals, enterprises, and banks, ensuring that the rights of those harmed by pollution are protected (including punitive compensation for environmental damage) and enhancing the joint liability of financial institutions supporting polluting projects. A compensation mechanism for affected parties should also be established to enhance financial institutions' accountability in the development of green finance.

To further regulate the green finance market, it is necessary to unify and improve regulatory rules and standards, establish a comprehensive information disclosure system, and develop a robust risk alert mechanism to prevent the misuse of regulatory loopholes and ensure the integrity and stability of the green finance market.

Optimizing a Balanced Incentive–Constraint Regime

To correct the current imbalance between incentives and constraints, China should preserve supportive policy measures while strengthening legal requirements related to environmental information disclosure, climate risk management, and accountability mechanisms. Incentives alone cannot sustain the long-term credibility of green finance. Financial institutions need clear institutional



pressure pushing them to embed green finance into their broader risk management structures rather than treating it as a temporary policy response or reputational tool (Dikau & Volz, 2021; Monasterolo, 2020). Only when external regulation gradually turns into internal governance can green finance become truly sustainable.

A more practical approach would begin with the People's Bank of China. The central bank could establish a dedicated performance evaluation framework for commercial banks that formally incorporates green finance into their financial assessment systems. Both quantitative and qualitative indicators should be included, with quantitative measures accounting for 80 percent and qualitative indicators making up the remaining 20 percent. Of course, green finance evolves quickly. The central bank should therefore retain flexibility to adjust these indicators and their relative weightings in response to changing market conditions and policy priorities. Commercial banks, in turn, should develop their green finance business according to the standards and performance targets set by the central bank. But regulation alone rarely creates genuine momentum. Why would banks actively expand green finance if the institutional rewards remain unclear? To strengthen initiative and participation, the central bank could combine performance assessments with supportive incentives such as policy preferences, financial subsidies, or other encouraging measures. Once green finance performance begins affecting both regulatory evaluation and institutional benefits, commercial banks are far more likely to treat green finance as a long-term strategic priority rather than a symbolic compliance exercise (Weber, 2017).

Regarding international cooperation in green finance, given China's status as a developing country and its environmental pollution challenges, China should first prioritize strengthening green finance cooperation with neighboring countries and regions. When formulating the international cooperation incentives for green finance, the initial focus should be on collaborating with other developing countries and regions. China could enter into agreements with neighboring countries to promote green finance cooperation, with China leading investment in green projects in those countries. Through cross-border investments in green projects, both bilateral and multilateral cooperation on green finance could be deepened (Taghizadeh-Hesary & Yoshino, 2019; Zadek & Flynn, 2013). This collaboration would not only enhance economic, trade, environmental, and climate cooperation between China and its neighboring countries but also foster the development of international relations (Volz, 2018). Furthermore, this approach would prepare China's green finance sector for entry into international markets, using neighboring countries as a starting point to gradually promote its internationalization.

Additionally, the government should strengthen public awareness and understanding of green consumption and green finance. This includes raising awareness of green finance incentives and promoting environmental consciousness throughout society. By advocating green consumption and fostering a demand-driven economic structure, businesses can be encouraged to adopt green production and operations, thereby advancing a green economic structure and the creation of a green ecological civilization. This would establish a favorable atmosphere and conditions for the further development of green finance.

Regarding the legal responsibility system in green finance, civil liability should be prioritized, with administrative and criminal liabilities serving as supplementary measures. This includes implementing an environmental protection tax and advancing a green fiscal and tax system reform, as represented by the green tax regime. This paper proposes amending the relevant provisions of the *People's Bank of China Law* regarding liability clauses, shifting the current financial liability framework toward one primarily based on civil responsibility, with criminal and administrative penalties serving as supplementary measures. This reform would more effectively promote the growth and expansion of green finance in China (Yang, 2016).

Strengthening Cross-Departmental Coordination and Responsibility Mechanisms

To address the issue of insufficient regulatory coordination, it is necessary to clearly define a collaborative regulatory mechanism for green finance at the legal level, establish a cross-departmental information-sharing platform, and implement a joint regulatory system. The responsibilities of each regulatory body should be clearly delineated, enhancing regulatory synergy and the efficiency of institutional enforcement.



The operation of green finance involves multiple departments. In addition to regulatory bodies such as the People's Bank of China (PBOC), the China Securities Regulatory Commission (CSRC), and the China Banking and Insurance Regulatory Commission (CBIRC), it also includes various departments under the State Council, such as the Ministry of Ecology and Environment, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Housing and Urban-Rural Development, the Ministry of Water Resources and the Ministry of Emergency Management, among others. Each department is responsible for a distinct sector, with variations in its duties, responsibilities, and work nature. Green finance affects the production structure of the economy and society, with wide-reaching impacts across both the financial and environmental sectors (Sachs et al., 2019). It cannot function effectively without the support of the Ministry of Finance and the Ministry of Natural Resources, as well as the cooperation of departments such as the Ministry of Housing and Urban-Rural Development and the Ministry of Water Resources, which are involved in green building projects. Given that each department operates independently, communication and coordination between them are often insufficient, which undermines inter-departmental collaboration and, to some extent, affects the operational efficiency and development speed of green finance.

To resolve this issue, a collaborative mechanism among government departments should be developed. First, an organizational structure led by a Green Finance Committee should be established. This committee, composed of senior officials from various government departments, would facilitate communication and collaboration among the departments, aid in the formulation of green finance policies, and effectively promote the further development of the green finance legal system. Second, clear development goals for green finance should be defined and broken down into specific tasks, with responsibility mechanisms established for each stage. This would ensure the division of labor among government departments, thereby promoting the development of green finance. Third, specific activities, such as holding monthly seminars on green finance, should be organized to discuss the direction of green finance development, identify challenges, and assess progress toward achieving intermediate goals. Finally, a performance evaluation system should be introduced to assess the progress and achievements of each department's efforts in advancing green finance. Departments would be evaluated based on their performance, and rewards or penalties would be applied accordingly to incentivize collaboration and strengthen government agencies' engagement in the green finance process, thus promoting the functioning and development of the green finance legal framework.

To establish an effective operational mechanism for the green finance legal system, a cooperative mechanism between the government and financial institutions should be created. This would address information asymmetry in the development of green finance and provide precise guidance by formulating policies that are consistent with actual socio-economic conditions and the development of green finance. Regarding the government-financial institution cooperation mechanism, the first step is to address information asymmetry (Robins et al., 2017). This can be done by building a data-sharing platform that bridges the gap between government departments and financial institutions, providing direct access to information on the development of green finance. Second, a green finance development advisory group should be established, led by senior officials from various government departments. This group would regularly organize meetings with financial institution representatives to gain insights into the progress of green finance and its development. Finally, policies should be formulated based on the socio-economic and technological development levels of each region, with specific mechanisms for cooperation, such as promoting the integration of technology and green finance, strengthening government and public oversight of green finance development, and exercising the regulatory powers of public policies and the public. By enhancing the technological capabilities of green finance and its regulatory framework, and by strengthening the collaboration between government departments and financial institutions, this approach will foster a transparent, open, and publicly regulated green finance system, with oversight primarily rooted in government and public monitoring.



CONCLUSION

Green finance legislation constitutes a critical legal foundation for achieving China's "dual carbon" goals and promoting sustainable economic transformation (Bolton et al., 2020; Sachs et al., 2019). The current legislative dilemmas reflect deeper issues of insufficient institutional integration and weak enforcement mechanisms. By establishing a unified legislative framework, harmonizing standards, balancing incentives and constraints, and enhancing regulatory coordination, China can transition from a policy-driven to a law-driven model of green finance governance. Future reforms should strike a balance between institutional flexibility and legal stability, ensuring predictability and long-term effectiveness. Ultimately, the development of a robust green finance legal system depends on coordinated governance capacity and effective institutional implementation, enabling China to move from pilot experimentation toward systematic maturity in green finance development. Such institutional evolution is also consistent with international trends in sustainable finance governance and climate-risk regulation (NGFS, 2019; IMF, 2024; World Bank, 2023).

Список литературы:

1. Bolton, P., Després, M., Pereira da Silva, L. A., Samama, F., & Svartzman, R. (2020). The green swan: Central banking and financial stability in the age of climate change. Bank for International Settlements.
2. Campiglio, E. (2016). Beyond carbon pricing: The role of banking and monetary policy in financing the transition to a low-carbon economy. *Ecological Economics*, 121, 220–230. <https://doi.org/10.1016/j.ecolecon.2015.03.02>.
3. Dikau, S., & Volz, U. (2021). Central bank mandates, sustainability objectives and the promotion of green finance. *Ecological Economics*, 184, 107022. <https://doi.org/10.1016/j.ecolecon.2021.107022>.
4. Ding, M. (2009). Addressing the problem of low costs of environmental violations: From the perspective of deficiencies in environmental legal liability legislation. *Law Review*, (4), 90–95.
5. D’Orazio, P., & Popoyan, L. (2019). Fostering green investments and tackling climate-related financial risks: Which role for macroprudential policies? *Ecological Economics*, 160, 25–37. <https://doi.org/10.1016/j.ecolecon.2019.01.029>.
6. European Commission. (2020). Taxonomy: Final report of the technical expert group on sustainable finance. European Commission.
7. Galaz, V., Crona, B., Dauriach, A., Jouffray, J.-B., Österblom, H., & Fichtner, J. (2018). Tax havens and global environmental degradation. *Nature Ecology & Evolution*, 2 (9), 1352–1357. <https://doi.org/10.1038/s41559-018-0497-3>.
8. Höhne, N., den Elzen, M., Rogelj, J., Metz, B., Fransen, T., Kuramochi, T., Olhoff, A., Alcamo, J., Winkler, H., Fu, S., Schaeffer, M., Schlichting, J., & Kovacs, P. (2020). Emissions: World has four times the work or one-third of the time. *Nature*, 579 (7797), 25–28. <https://doi.org/10.1038/d41586-020-00571-x>.
9. International Capital Market Association. (2021). Green bond principles: Voluntary process guidelines for issuing green bonds. ICMA.
10. International Monetary Fund. (2024). Global financial stability report 2024: Climate finance and financial stability. International Monetary Fund.
11. Liang, L. (2022). Regulation of green credit under the carbon neutrality goal. *Hebei Finance*, (5), 42–45.
12. Lindenberg, N. (2014). Definition of green finance (Discussion Paper No. 16/2014). German Development Institute.
13. Monasterolo, I. (2020). Climate change and the financial system. *Annual Review of Resource Economics*, 12, 299–320. <https://doi.org/10.1146/annurev-resource-110119-031134>
14. National People's Congress of the People's Republic of China. (2023a). Commercial Bank Law of the People's Republic of China. Law Press China.
15. National People's Congress of the People's Republic of China. (2023b). Securities Law of the People's Republic of China. Law Press China.



16. Network for Greening the Financial System. (2019). A call for action: Climate change as a source of financial risk. NGFS.
17. OECD. (2017). Investing in climate, investing in growth. OECD Publishing. <https://doi.org/10.1787/9789264273528-en>.
18. People's Bank of China, Ministry of Ecology and Environment, National Financial Regulatory Administration, & China Securities Regulatory Commission. (2024).
19. People's Bank of China, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Ecology and Environment, National Financial Regulatory Administration, & China Securities Regulatory Commission. (2024). Guiding opinions on further strengthening financial support for green and low-carbon development. State Council of the People's Republic of China.
20. People's Bank of China, National Financial Regulatory Administration, & China Securities Regulatory Commission. (2025). Notice on issuing the Green Finance Supported Project Catalogue (2025 Edition). State Council of the People's Republic of China.
21. Robins, N., Dikau, S., & Volz, U. (2017). The challenge for financial policymakers: Climate change and the financial system. *UNEP Inquiry*.
22. Sachs, J. D., Schmidt-Traub, G., Mazzucato, M., Messner, D., Nakicenovic, N., & Rockström, J. (2019). Six transformations to achieve the Sustainable Development Goals. *Nature Sustainability*, 2 (9), 805–814. <https://doi.org/10.1038/s41893-019-0352-9>.
23. Soundarajan, P., & Vivek, N. (2016). Green finance for sustainable green economic growth in India. *Agricultural Economics (Czech Republic)*, 62 (1), 35–44. <https://doi.org/10.17221/174/2014-AGRICECON>.
24. Taghizadeh-Hesary, F., & Yoshino, N. (2019). The way to induce private participation in green finance and investment. *Finance Research Letters*, 31, 98–103. <https://doi.org/10.1016/j.frl.2019.04.016>.
25. Task Force on Climate-related Financial Disclosures. (2017). Final report: Recommendations of the Task Force on Climate-related Financial Disclosures. Financial Stability Board.
26. United Nations Environment Programme. (2016). Green finance for developing countries: Needs, concerns and innovations. UNEP.
27. Volz, U. (2018). Fostering green finance for sustainable development in Asia (ADB Working Paper No. 814). Asian Development Bank Institute.
28. Wang, Y., & Zhi, Q. (2016). The role of green finance in environmental protection: Two aspects of market mechanism and policies. *Energy Procedia*, 104, 311–316. <https://doi.org/10.1016/j.egypro.2016.12.053>.
29. Weber, O. (2017). Corporate sustainability and financial performance of Chinese banks. *Sustainability Accounting, Management and Policy Journal*, 8 (3), 358–385. <https://doi.org/10.1108/SAMPJ-09-2016-0066>.
30. World Bank. (2023). State and trends of carbon pricing 2023. World Bank. <https://doi.org/10.1596/978-1-4648-2006-9>.
31. Wu, G. (2011). Reflections on the development of green finance business in commercial banks: A case study of Industrial Bank in Fujian. *Journal of Nanchang Institute of Education*, 26 (6), 189–191.
32. Xiao, J. L. (2022). Research on legal issues of green credit based on environmental regulation. *Times Economy and Trade*, 19 (2), 154–156.
33. Yang, F. (2016). On the legal regulation of green finance. *People's Tribune*, (20), 118–120.
34. Zadek, S., & Flynn, C. (2013). South-originating green finance: Exploring the potential. International Institute for Sustainable Development.
35. Zhang, X. (2006). *Civil law (4th ed.)*. China Renmin University Press

