Venture Capital in China: Development and the Green Economy

Asif Siddiqui – Asst. Research Fellow
Peking University HSBC Business School
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Overview

• 1) Context of Venture Capital in China: US vs. China

• 2) Beijing’s Green Economy Policies

• 3) Possibilities: Role of Venture Capital in Chinese Green Economy
VC Differences: China vs. the US

1) Players: Government/Individuals vs. Institutional
2) Accounting Systems: IFRS/Chinese vs. GAAP
3) Information Sources: Guanxi vs. Public
4) VC Involvement: Cash flows already started vs. expansion/development stages
5) Exit Strategy: Buy-Back/Sale vs. IPO
VC Similarities: China and the US

- 1) Military Threat/Deficit
- 2) Politics drove Economics
- 3) Government VC Institutions to transfer funds to other sectors
- 4) China’s Torch Program – Possibly Most Successful Ever!
Future Possibilities

- China’s Reforms
- VC Industry with Chinese Characters
Chinese Policies

- Pollution Prevention Law
- Clean Production Law
- Energy Conservation Law
- Circular Economy Promotion Law
- Venture Capital can push everything forward
Clean Development Mechanism

• In place since 2004

• As of March 31, 2008 – 1,197 such projects
Green Capital Market

- Goal is to provide capital for environmental activities

- Fund, Bonds, and Protection Insurance
Environmental Exchange

- Beijing Environmental Exchange
- Shanghai Environment and Energy Exchange
Energy Management Contract

- Comprehensive Energy Reduction Program
The Development of Chinese Venture Capital

- Sep. 1985: 1st VC company started: China New Technology Venture Investment
- Stage I: Beginning (Mar. 1985 - 1990)
- Stage II: 1st developing period (1991-2000)
- Stage III: 1st depression period (2001-2005)
- Many policies have been issued
- Stage IV: 2nd developing period (2006-2011)
- Stage V: 2nd depression period
2003-2012 Amount of Capital in VC (measured in 10 billion RMB) (Histogram: Total Amount; Line: Institution Average Managing Amount.)

- Financial Crises / Sub-Prime Crises
- New 《Partnership Enterprise Law》 Issued
- Reform of the Shareholder Structure
- Launch of GEM (Growth Enterprise Market / 创业板)
- Stagnation of A-share IPOs

Resource: CVCRI
2005-2012 VC Investment Statistics in China

Resource: CVCRI
Conclusion

• World movement toward Green Economy

• Chinese VC can play a major role
Thank You

• If you have questions, E-mail me:

• asif@sz.pku.edu.cn