

## Rosefinch Research | 2023 Series # 19

### Rosefinch Chairman Speech on ESG Investing



On Sep 13<sup>th</sup>, 2023, Rosefinch Investment Chairman Mr. Li Hualun spoke at the 3<sup>rd</sup> ESG Global Leaders Conference held in Shanghai. The conference was attended by over 160 business and thought leaders including 7 Nobel prize laureates. The main topics were sustainable economic growth, social development, and environmental protection. Mr. Li was invited to speak on the topic of: “ESG Investment, empowering the Green Industrial revolution.” Please find his speech below.



Rosefinch Investment was founded in 2007, with the vision of "sustainable value creation". Over the past 17 years, it has developed into an investment management company specializing in the "dual carbon" field, involving the securities market, PE investment and photovoltaic Pre-REITs and other fields. I am very honored to have the opportunity to participate in this conference today.

In 2004, the United Nations first proposed ESG, requiring enterprises to give sustainable development an important position and pursue economic benefits while considering Environmental, Social, and corporate Governance factors. After more than ten years of rapid development, it has become quite mature overseas. The ESG investment concept is also receiving increasing attention and following in China.

2013 was the trough of the photovoltaic industry, which was also the beginning of Rosefinch's focused investment in photovoltaic companies. With the continuous technological innovation and leading role of companies such as LONGi and the support of the capital market, the domestic photovoltaic market began to truly start and rapidly exploded.

After the issuance of the national "531 new policy" in 2018, the domestic photovoltaic industry experienced a "coming of age", underwent major industry reshuffle, improved its competitiveness, and further opened up potential for the global development of Chinese photovoltaic enterprises. Rosefinch also closely followed with investments in the fields of photovoltaics and electric vehicles. By 2022, renewable energy accounted for 83% of the global increase in power generation capacity.

In the first half of 2023, China's newly installed renewable energy capacity reached 1.322 billion kilowatts, accounting for about 48.8% of China's total installed capacity. **And notably, China's renewable energy capacity has exceeding coal-fired power generation capacity for the first time in history.** And there's more to come: up to now, the proportion of renewable energy in global primary energy consumption is 13%. According to the Energy Transition Index Blue Paper, in order to achieve carbon neutrality, this proportion needs to be increased to 56%, and the global installed capacity of renewable energy power generation still needs to increase by more than 8 times.

However, the surging demand for photovoltaic industry and loose financing conditions have also triggered enterprises both inside and outside the industry to rush in and pursue "vertical integration", and even "real-estate-ization". A preliminary statistic shows that in the past three years of 2021-2023, there were financing of RMB585 billion, RMB648 billion and RMB662 billion by 41 key listed companies in the main industry chain, auxiliary materials, and equipment of the photovoltaic industry. In addition, the newly announced refinancing plans in 2023 have already reached RMB722 billion in total.

With growing market concerns and tightening financing, supply-side reforms in the new energy industry are being driven by technological innovation and capacity upgrades. Although it doesn't change the industry overcapacity situation in 2024, it has however started to influence the expected supply and demand situation and competitive landscape in the industry after 2024.

The competition of homogeneous capacities is expected to subside, while differentiated capacities backed by technological innovation will further drive industry evolution. Industry's market shares are expected to become more concentrated among companies that uphold correct priorities and have sustainable innovation capabilities.

During this transformation, financial market is also becoming a "booster" to effectively promote market dynamic, product improvement, and efficient resource allocation as China pursues its "dual carbon" goals of reaching carbon peak by 2030 and carbon neutrality by 2060.

## 金融助推低碳转型



➢ 2022年全球新增电力装机容量中, 可再生能源占比83%。2023年上半年, 我国可再生能源装机达到13.22亿千瓦, 约占我国总装机的48.8%, 历史性超过煤电。

➢ 初步统计光伏行业的主产业链、辅材、设备各个环节41家重点上市公司近三年的融资规模, 2021-2023年分别已经完成融资585亿、648亿、662亿, 2023年新发布的再融资计划合计已达722亿。



环节	已融资			拟融资	合计
	21年	22年	23年	23年	23年
组件	123	150	397	232	629
电池	0	0	45	73.2	118
硅片	145	60	26	138	164
硅料	85	230	70	160	230
辅材	59	141	75	48	123
逆变器	106	42	29	61	90
设备	67	25	20	9.61	30
合计	585	648	662	722	1384

数据来源: Wind

We are the fortunate generation that lived through the market reform opportunities and witnessed the financial market allocation of resources. In just 30-50 years, our lighting source has evolved from lamps powered by kerosene to lights generated from solar energy and wind power. As we continue to pursue excellence and growth, entrepreneurs cannot let minor worries dominate strategic decisions, nor should they give up future hopes due to present anxiety.

Along with the reform and opening-up process in the past 30 years, the A-share market has given us invaluable opportunities that one "can't miss". From the Five Golden Flowers of urbanization (Real Estate, cement, new material, machinery, consumer), WTO, consumption upgrade, internet, Apple's supply chain, medical, health, and education industries etc., it can be said that "every industry has a Tencent".

While constructing a new development pattern and maintaining national "five major securities" today, investment logic may be shifting toward becoming "indispensable". The National Ecological Environment Protection Conference emphasized the need to implement the "1+N" policy framework. China will work towards carbon peaking and carbon neutrality in an all-around way by building a clean, low-carbon, safe and efficient energy system, accelerating the construction of a new power system, and enhancing national oil and gas security. Safety, independence and decarbonization are indispensable key links.



Rosefinch’s investment perspective has always included being conducive to regional economic development and adding social value. On the one hand, we insist on investing our capital in the drivers of change, paying tribute to the forces that propel the endless progress of human society. On the other hand, we believe that ESG investment will inevitably promote the growth of a new generation of entrepreneurs and create greater welfare for society.

Rosefinch Investment and its mutual fund manager subsidiary Rosefinch Fund Management have always implemented ESG philosophy and insisted on being active asset owners, with ESG factors included in all investment decision-making processes. In Oct 2022, Rosefinch Fund Management officially joined UNPRI. We are actively promoting capital markets and boosting investor confidence. As the custodian of investor assets, we want to ensure that the allocated assets can withstand longer cycles and the volatilities in extreme environments, so we can sustainably create value for our investors.

**We hope that by sharing Rosefinch’s views, we add value to your day.**

*We endeavor to provide timely English version of Rosefinch’s publications. For any English translation of the original Chinese article, in case of any discrepancy, the Chinese version takes precedence.*

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