but through which monetary corridor and on whose terms.

A new financial architecture

China does not merely bring cheap finance and electrotech to the energy transition. It also brings contractors, export credit, policy banks, and, increasingly, RMB liquidity and payment infrastructure. China provides financing facilities, which finance individual projects, as well as a system — the lender, the vendor, the currency, the equipment, and the route by which payment moves. This approach transforms the lending advantage into a systems advantage.

Parts of this system already exist, and the rest is being built. China has an extensive network of local-currency bilateral swap agreements (BSAs). The central bank, the People's Bank of China, had 32 BSAs active in May 2025, representing the monetary plumbing necessary for building this new architecture. A swap arrangement is an agreement between two central banks to exchange their respective currencies for a certain time period at a certain exchange rate. The United States provides swaps via the Federal Reserve Bank for financial system stability, such as with the Bank of England and the European Central Bank, and via the US Treasury Department, through the Exchange Stabilization Fund, for foreign policy or political reasons, such as with Argentina. For China, a swap is a way to ensure that trading partners, including those purchasing electrotech, can have ready access to RMB without having to go through the dollar first.

Nigeria shows why BSAs matter. Under the 2018 Nigeria-China currency-swap agreement, valued at RMB 15 billion ($2.5 billion), Nigerian importers buying Chinese goods could directly access billions of renminbi rather than first converting their currency into dollars.

The important point is not only the swap of currencies itself. It is also the institutional architecture through which it happens: The central bank in the developing country manages the swap and then supplies RMB to domestic banks, which in turn lend the RMB to companies trading with Chinese suppliers of electrotech and everything else. BSAs provide the cheapest source of financing and shift currency access from the open market to a central-bank-managed corridor.

These financing corridors, and what China can do with them, suggests we are entering a new phase in which China is seeking more than just internationalizing the use of its currency. In June 2025, People's Bank of China Governor Pan Gongsheng argued that an international monetary system dominated by a single sovereign currency carries inherent instability and can be weaponized under geopolitical stress. He also identified blockchain, distributed ledgers, central bank digital currencies, stablecoins, and smart contracts as technologies to reshape cross-border payments.

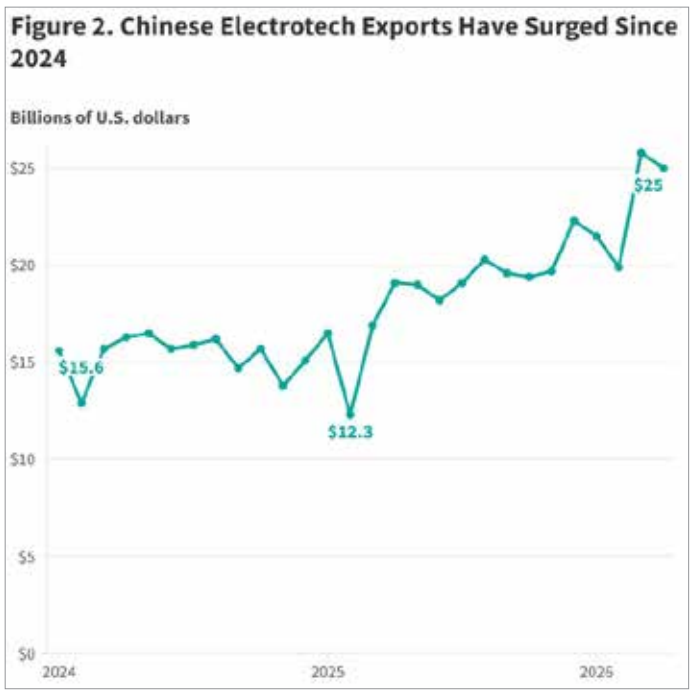
After financing mechanisms, Beijing's next step has been institutional buildout. China announced an international operation center for its digital RMB in Shanghai to support cross-border use and digital-finance innovation. By September 2025, that center had begun operations with three platforms: cross-border digital payments, blockchain services, and digital assets. The wholesale layer is already operational.

The renminbi itself is also changing, with the emergence of the digital yuan (e-CNY). Development began at the People's Bank of China as early as 2014, with pilot-scale testing in major cities at the end of 2019. The e-CNY has expanded domestically, city-by-city, scenario-by-scenario, for over a decade. By November 2025, the e-CNY had handled almost 3.48 billion transactions totaling 16.7 trillion yuan ($2.37 trillion) — the largest live central bank digital currency deployment in the world. Since January 2026, in China, commercial banks have had to pay interest on digital yuan wallet balances; e-CNY deposits will be treated the same way as conventional cash bank deposits.

In the context of clean energy capital costs, the emergence of the digital yuan is important because it brings programmability — the ability to define, in advance, how money moves and what it can be used for. China's central bank, as cited in central bank material, is looking at how the e-CNY can be used to establish "smart contracts". For example, once the terms of a loan are set, they can be embedded in the code that determines how and when the digital currency can be used. Contract enforcement is automated; if the terms are not met, the system automatically denies payments. In China, a version of this was already tried at home. During the COVID-19 pandemic, the government distributed consumption-restricted digital yuan in Shenzhen and other cities. These coupons were programmable only for designated merchants within defined time windows.

For climate finance, this changes the bargain. A loan agreement can require that funds should be used to purchase eligible Chinese solar equipment only. A payment corridor can route that payment, and a programmable payment system can make the condition binding. The recipient does not need to promise compliance; the payment becomes impossible outside the permitted corridor. The rate advantage, the manufacturing base, the policy banks, the RMB corridors, and the digital-payment infrastructure all assemble into a single, patient offer — the ElectroYuan.

There are real advantages to this system. It reduces leakage, speeds disbursement, and reassures the (Chinese) lender. It can verify the vendor's payment, lower transaction risks, and make the energy transition finance cleaner, faster, and more auditable. In short, it delivers programmable green finance.



Note: Includes solar photovoltaic, batteries, electric vehicles, grid, wind, and heating and cooling. All values confirmed — no estimation.
CARNEGIE

The photo shows a meeting of Indonesia's Just Energy Transition Partnership (JETP) secretariat in Jakarta, Malaysia, in February 2023. The country is one of four the G7 bloc of rich nations has partnered with to boost decarbonization efforts.
BUDI SUDARMO/STATE DEPT

Engaging China with eyes wide open

Despite the benefits, China's finance ecosystem is also potentially a threat to sovereignty. The question is not whether China is benevolent or predatory. Like the G7 architects of the JEPTs, China is designing climate finance around its strategic interests, institutional leverage, and delivery capacity. It has the option to choose, price, route, and deploy favors in a time of crisis. That is power.

Global South governments, reeling from the Hormuz shock, must remain pragmatic. If the Western alternative is partial, delayed, and more expensive, Chinese transition finance appears to be the responsible choice. However, passive acceptance would prioritize liquidity over sovereignty. Cheap finance is not neutral when it arrives embedded in a monetary, industrial, and technological stack. Global South governments do not need warnings about China. They need offers that match or improve upon China's. If the dollar system is expensive, the multilateral pipeline slow, and the Western plate half-empty, the Chinese meal is not a trap — it is the only meal being served. The question is what to negotiate when sitting down at the table. Global South officials need to understand the full implications of any negotiation around programmable financing. Global South finance ministers and central bank governors must negotiate their full sovereign position before any code is written and before any digital yuan flow. Three decisions are critical:

- **Conditions:** What can the money buy, what can't it buy, and who in the domestic economy may participate?
- **Terms:** What is the true financial bargain, who captures the funding advantage, and how can the sovereign exit, refinance, or renegotiate the terms of the contract?
- **Control:** What programmable payment architecture is the government allowing into its financial system, and what sovereign audit, override, data, migration, and continuity rights are non-negotiable — especially given recently enacted data protection frameworks across the Global South?

If these questions are decided thoughtfully and transparently, with the interests of the developing country in mind, the Global South finance ministers and central bankers should be able to say the quiet part clearly: This is not import dependence. It is strategic importation for energy sovereignty — bringing in the electrotech goods, services, and production equipment needed to build domestic assembly, manufacturing capacity, and long-run insulation from imported fuel shocks. Thoughtfulness, here, has a precise meaning: securing terms that prevent the transition from replacing fuel dependence with technology dependence by negotiating technology transfer provisions, local content requirements, and interoperability standards that keep options open. And if Chinese financing is the cheapest, then Global South finance ministers are not only entitled to use it — but they are also entitled to further demand that it arrives on terms befitting a public good: non-commercial, sovereignty-preserving, and concessional, something that is rarely said of Chinese financing.

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Workers carry solar panels to be installed in the desert at the Ningguoyun Lingwu 1-million-kilowatt photovoltaic project in Lingwu, China's northern Ningxia region, on April 14, 2025.
AFP

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