

Cross-Agency Steering Group releases assessment of carbon market opportunities for Hong Kong and next steps

The following is issued on behalf of the Hong Kong Monetary Authority:

The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) today (March 30) published its [preliminary feasibility assessment of carbon market opportunities for Hong Kong](#) (Note 1).

Based on the assessment, the Steering Group intends to proceed with the following next steps in parallel to support the development of Hong Kong as a regional carbon trading centre:

- Develop Hong Kong into a global, high-quality voluntary carbon market (Note 2), leveraging Hong Kong's status as a champion of international standards, a facilitator to channel global capital into the Mainland, and an international financial centre with a stable and mature regulatory system;
- Collaborate with relevant authorities and stakeholders to work towards establishing the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Unified Carbon Market in line with Mainland policies to strengthen GBA cooperation (Note 3);
- Explore opportunities to link up international investors with the GBA Unified Carbon Market and potentially the national emissions trading system (Note 4); and
- Strengthen cooperation with the Guangzhou Futures Exchange on carbon market development to enable Hong Kong to act as the Mainland's offshore risk management centre.

The Steering Group endorsed the plan set out above which is by no means exhaustive. The Carbon Market Workstream co-chaired by the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX) will consider which market and regulatory model would be the most appropriate, and will prepare a detailed roadmap, implementation plan and indicative timeline after consulting with market experts and relevant authorities.

The Chief Executive Officer of the SFC, Mr Ashley Alder, said, "The assessment is part of the Steering Group's commitment to advance the development of green and sustainable finance in Hong Kong. Carbon trading is a key tool to mobilise finance for the transition to a low carbon economy.

With appropriate regulatory support, Hong Kong's close links with the Mainland and significant role in the GBA will allow it to bridge Mainland carbon products and opportunities with the rest of the world."

The Chief Executive Officer of the HKEX, Mr Nicolas Aguzin, said, "Hong Kong is the regional green and sustainable finance leader and at the HKEX we are proud to play a key role in advancing our collective journey to achieving net zero and the promotion of climate-related financial disclosures. As a gateway facilitating the two-way capital flows between China and the world, Hong Kong is well-placed to support the growing global demand for capital participation in the Mainland's low-carbon transition. The HKEX is fully committed to the long-term sustainable growth of our markets and community and we look forward to continuing to work with the Steering Group on building a trusted, world-class sustainable finance ecosystem, which includes exploring the development of a voluntary carbon market."

Note 1: The assessment was conducted by the Carbon Market Workstream of the Steering Group. The Carbon Market Workstream is co-chaired by the SFC and the HKEX. Members include the Environment Bureau, the Financial Services and the Treasury Bureau and the Hong Kong Monetary Authority.

Note 2: In voluntary carbon markets, buyers purchase carbon credits to neutralise or compensate for their carbon dioxide emissions.

Note 3: Mainland China has launched regional carbon market pilots in eight cities and provinces, including Guangdong and Shenzhen. On March 24, 2022, the HKEX signed a Memorandum of Understanding with the China Emissions Exchange (Guangzhou) to explore the GBA and international carbon opportunities.

Note 4: Emissions trading systems provide a regulated mechanism for market participants to trade allowances, which are permits to emit carbon dioxide. Lowering their emissions reduces the need to purchase allowances.

About the Green and Sustainable Finance Cross-Agency Steering Group

Established in May 2020, the Steering Group is co-chaired by the Hong Kong Monetary Authority and the Securities and Futures Commission. Members include the Environment Bureau, the Financial Services and the Treasury Bureau, the Hong Kong Exchanges and Clearing Limited, the Insurance Authority and the Mandatory Provident Fund Schemes Authority. The Steering Group aims to coordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies.