

LCQ10: Developing Hong Kong into green finance centre

Following is a question by the Hon Rock Chen and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 23):

Question:

The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" supports the development of Hong Kong into a green finance centre in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area). The 2020 Policy Address also indicated the development of green finance in Hong Kong to boost investments conducive to reducing carbon emissions. In this connection, will the Government inform this Council:

(1) given that the Government has been providing infrastructure and introducing measures that facilitate the development of green and sustainable finance in the market in order to encourage more entities to make use of Hong Kong's capital markets as well as financial and professional services for investment, financing and certification of green projects, whether the Government has formulated performance indicators for such work; if so, of the details and whether the targets have been met; if no indicators have been formulated, the reasons for that;

(2) as it is learnt that some members of the financial sector consider that the lack of a consistent framework for green finance has led to an increase in the cost for conducting investor due diligence, whether the Government has formulated policies and measures to improve the situation; if so, of the details and progress;

(3) given that the Shenzhen Municipal People's Government successfully issued offshore Renminbi green bonds in Hong Kong last year, whether the Government will make arrangements for other Mainland municipal governments, institutions and enterprises to issue green bonds and sustainability-linked bonds in Hong Kong this year; if so, of the timetable and the target issuance size;

(4) of the details of the Government's assessment of the feasibility of developing Hong Kong into a regional carbon trading centre and the progress of the study; given that the 2021 Policy Address indicates support for the Hong Kong Exchanges and Clearing Limited to commence cooperation with the Guangzhou Futures Exchange in financial products relating to areas of carbon emissions trading, how the Government ensures that the Mainland and Hong Kong will adopt common standards as well as a feasible and stable trading mode in relation to the system for setting carbon emission quotas, which will in turn be conducive to developing Hong Kong into an international compliance carbon market and a voluntary carbon asset trading and management centre, as well as enhancing Hong Kong's status as an investment hub for environmental, social

and governance (ESG)-related assets and a sustainable financial centre; and

(5) whether the Government has other projects or plans currently underway for developing Hong Kong into a green finance centre in the Greater Bay Area; if so, of the details?

Reply:

President,

The Central People's Government has set out in the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 to promote comprehensive green transformation of economic and social development, and endeavour to have carbon dioxide emissions peak before 2030 and achieve carbon neutrality before 2060. In Hong Kong, the Chief Executive announced in her 2020 Policy Address that the Hong Kong Special Administrative Region will strive to achieve carbon neutrality before 2050.

My reply to the Hon Chen's question is as follows:

(1) The Government has been working in concert with the financial regulators and the industry and taking a multi-pronged strategy to promote green and sustainable finance, with a view to contributing to achieving the carbon neutrality goal in the Mainland and in Hong Kong, and consolidating Hong Kong's position as a green and sustainable finance hub in the region. Good progress has been made for various tasks as planned, and the quantified outcome and relevant information are set out below –

(i) The scale of our green finance market has been expanding. According to the Hong Kong Monetary Authority's preliminary estimation, the amount of green and sustainable debt (including bonds and loans) issued in 2021 exceeded US\$50 billion, which was four times more than that in 2020. A substantial number of Mainland and overseas entities have chosen to issue green bonds in Hong Kong, including multilateral development banks. There is also a growing range of other green and sustainable products such as sustainability, social and transition bonds, green and sustainability-linked loans.

(ii) Since the establishment of the Government Green Bond Programme in 2018, a total of over US\$7 billion equivalent of green bonds, targeting global institutional investors and comprising US Dollar, Euro and Renminbi (RMB) denominated bonds and multiple tranches, has been successfully issued. The issuances were well received by the global investment community, set an important new benchmark for potential issuers in Hong Kong and the region and enriched the green and sustainable finance ecosystem. We also announced on February 15 the details of the first retail green bond issuance for the participation of the general public in the development of green and sustainable finance in Hong Kong.

(iii) The Government launched in May 2021 a three-year Green and Sustainable Finance Grant Scheme to provide subsidy for eligible bond issuers and loan

borrowers to cover their expenses on bond issuance and external review services. The scheme has been well received by the industry. Over 50 applications have been approved under the scheme so far covering various kinds of green and sustainable debt instruments, attracting more green and sustainable bond issuers and loan borrowers to use Hong Kong's fundraising platform and professional services.

(iv) Formed by relevant Government bureaux and financial regulators, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) promulgated a Strategic Plan to strengthen Hong Kong's financial ecosystem for a greener and more sustainable future. Among others, the Steering Group is promoting disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures across relevant sectors no later than 2025 and the suitable adoption of the sustainability disclosure standards to be developed by the International Financial Reporting Standards Foundation.

(v) The Steering Group launched the Centre for Green and Sustainable Finance in July 2021 to coordinate efforts of financial regulators, Government agencies, industry stakeholders and academia in capacity building and policy development. The Centre will launch information portals on green and sustainable finance data and resources and strive to promote talent development in the industry.

(2) The International Platform on Sustainable Finance published in November 2021 the Common Ground Taxonomy (CGT) report, which could help define what activities are considered to contribute significantly to climate change mitigation as well as reducing the risk of green washing. The Steering Group will, with the aim of aligning with the CGT, explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, China and the EU's taxonomies, aligning Hong Kong's regulatory standards with international best practice.

(3) Last year, the Shenzhen Municipal People's Government issued offshore RMB municipal government bonds totalling RMB5 billion in Hong Kong, including green bonds. This is the first time a Municipal People's Government issues bonds in Hong Kong and would encourage more Mainland entities to issue various green and sustainable finance products in Hong Kong. This year, we will continue the relevant work, including maintaining liaison with the Mainland authorities and promoting the Green and Sustainable Finance Grant Scheme to encourage more Mainland entities to use Hong Kong's platform for green and sustainable investment, financing and certification. The Qianhai authorities also provide a subsidy of not more than RMB2 million to Qianhai corporates that issue green bonds in Hong Kong, which will be conducive to attracting more bond issuances in Hong Kong by corporates.

(4) The Steering Group has completed a preliminary assessment of carbon market opportunities for Hong Kong. On the other hand, Hong Kong Exchanges and Clearing Limited signed a Memorandum of Understanding with the Guangzhou Futures Exchange in August 2021 with a view to driving a green and low-carbon market in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and supporting sustainable development through the promotion of exchanges and cooperation in

areas such as clearing, technology, marketing and investor educational efforts. In view of Hong Kong's status as a champion of international standards, a facilitator to channel global capital into the Mainland and an international financial and risk management centre, the Steering Group will further explore how Hong Kong may develop into a regional carbon trading centre including the development of a global high-quality voluntary carbon market, and work with relevant GBA authorities on carbon market opportunities.

(5) The Outline Development Plan for the GBA supports Hong Kong's development into a green finance centre in the GBA. With the new economic development pattern of dual circulation, the GBA will be the natural conduit for Hong Kong to participate in and benefit from the Mainland's domestic circulation, while we strengthen our intermediary and facilitator role in international circulation. Leveraging Hong Kong's strengths as an international financial centre and the gateway between China and the rest of the world, Hong Kong is well positioned to connect the flow of green and sustainable funds with the Mainland and the world to promote green investments and ecological civilisation on the Mainland. We will continue to capitalise on the enormous green finance opportunities presented by the GBA development, work closely with GBA authorities and the industry and promote the Green and Sustainable Finance Grant Scheme, with a view to facilitating more entities to make use of Hong Kong's financial and professional services for green and sustainable investment, financing and certification to support green enterprises and projects in the GBA. At the same time, we are promoting talent development and capacity building to tie in with the industry efforts on strengthening resilience to climate risks, as well as encouraging more financial institutions, professional service providers and external reviewers to set foot in Hong Kong and enhancing Hong Kong's attractiveness as a one-stop platform.