

Speech by Acting CE at Green Finance Certification Scheme Presentation Ceremony cum Forum 2019 (English only) (with photos/video)

Following is the speech by the Acting Chief Executive, Mr Matthew Cheung Kin-chung, at Hong Kong Quality Assurance Agency (HKQAA) 30th Anniversary Presents: Green Finance Certification Scheme Presentation Ceremony cum Forum 2019 today (March 25):

Dr W K Lo (Chairman of the HKQAA, Dr Lo Wai-kwok), distinguished guests, colleagues, ladies and gentlemen,

Good afternoon. It gives me great pleasure to join you all today at the Green Finance Certification Scheme Presentation Ceremony cum Forum 2019. This event is also one of the programme events of the 30th anniversary of the Hong Kong Quality Assurance Agency.

First and foremost, I would like to express my sincerest gratitude to the Hong Kong Quality Assurance Agency for taking the lead to launch the Green Finance Certification Scheme in January last year to provide third-party conformity assessment for issuers on their green debt instruments, with a view to helping our financial sector explore new commercial and business opportunities in the green finance market, promoting a common understanding of green finance and fostering environmentally friendly investments in Hong Kong, the Mainland and worldwide. This echoes well with the policy objective of the Hong Kong Special Administrative Region (HKSAR) Government in developing Hong Kong into a premier financing platform for international and Mainland green enterprises and projects.

The HKSAR Government is determined to develop Hong Kong into a leading hub for green finance in the region, with focus on Mainland China and economies along the Belt and Road economic corridors. By leveraging our strengths and advantages as an international financial centre, we seek to create value through sophisticated professional services and our unparalleled expertise and reputation in the provision of financial services. Indeed, Hong Kong's sound legal and regulatory system, a deep and liquid capital market, robust financial infrastructure and a wealth of financial intermediaries and talent help maximise Hong Kong's potential in developing into a regional green finance hub.

While recognising the importance of market forces in shaping and determining the demand and supply for green bonds and other green financial products, the HKSAR Government will facilitate and provide necessary infrastructure and catalysts for jump-starting market developments. We will at the same time build up our international profile on green finance with

increased international visibility and proactive promotion targeting audiences overseas.

We launched in June 2018 the Green Bond Grant Scheme to subsidise eligible green bond issuers in obtaining certification under the Green Finance Certification Scheme and attract more corporate green bond issuance in Hong Kong. From a broader perspective, the enhanced transparency and accreditation standard of green financial products will help strengthen market confidence in green finance.

As announced in the Chief Executive's inaugural Policy Address in 2017, the current-term HKSAR Government would take the lead in arranging the issuance of a green bond to demonstrate the Government's support for sustainable development and determination to combat climate change, and to promote the development of green finance. The Financial Secretary further announced in the 2018-19 Budget the launch of the Green Bond Programme with a borrowing ceiling of HK\$100 billion to encourage more issuers to arrange financing for their green projects through our capital markets and help grow the local green investor base. We are actively preparing for issuing the inaugural government green bond under the Programme targeting global green investors as soon as practical.

In addition, the three-year Pilot Bond Grant Scheme was also launched to attract local, Mainland and overseas enterprises to issue bonds, including green bonds, in Hong Kong. We have also introduced the Enhanced Qualifying Debt Instrument Scheme to provide tax concession for bond investment in Hong Kong with the aim of promoting our bond market development including green bond.

The priority that we accord to green finance is in consonance with our country's National 13th Five-Year Plan to construct a green financial system, develop green loans and green bonds and establish green development funds. Green finance is also a theme championed by G20 at the Hangzhou Summit in September 2016 where the importance of green finance was mentioned for the first time in its Leaders' Communique, recognising the need to "scale up green finance" in order to support environmentally friendly and sustainable growth globally.

Indeed, G20's call for scaling up green finance is underpinned by a growing market appetite for green bonds as evidenced by the increasing diversification of issuers and investors in the global green market. According to the Climate Bonds Initiative, global green bond issuance for 2018 reached US\$167.3 billion, up by 3 per cent over the preceding year.

In parallel, the Mainland's financial institutions are actively promoting relevant financing products such as green bonds to raise capital for environmental projects with a long payback period, such as renewable energy technology, waste treatment and sewage treatment. Last year alone, their green bond issuance that aligned with international green bond definitions reached US\$30.9 billion, representing about 18 per cent of the global market, second to the United States.

Locally, a two-fold increase to about US\$11 billion worth of green bonds were arranged and issued in Hong Kong last year by notable issuers from private sectors of Hong Kong, Mainland China and abroad, as well as multilateral agencies such as the World Bank, the Asian Development Bank and the European Investment Bank. This testifies to the strengths of our financial platform in supporting further development of Hong Kong as a major green finance hub in the region. According to the Climate Bonds Initiative's green bond trading venue league table, the Hong Kong Exchanges and Clearing Limited was ranked fifth globally and first in Asia last year.

We envisage that certification bodies that are well conversant with a spectrum of international, regional and local standards and guidelines will play a more significant role in the green finance development internationally, in view of the underlying trend of international harmonisation for a broader investor base. To this end, the HKSAR Government will continue to support the Green Finance Certification Scheme and encourage local, Mainland and overseas enterprises to make use of the Scheme and our capital markets for financing their green projects. In fact, the Hong Kong Quality Assurance Agency developed the Green Finance Certification Scheme with reference to a number of international and national standards on green finance. The Scheme also upholds its independence by refraining from rendering advisory or consultancy service in tandem to avoid potential conflict of interest.

Ladies and gentlemen, to facilitate cross-border investment in green bonds, we also make use of every opportunity to promote our competitive capital markets and green finance platform at regional and international forums, including the Asian Financial Forum held in Hong Kong in January this year under the theme of "Creating a Sustainable and Inclusive Future". Relevant authorities such as Hong Kong Monetary Authority, HKEX and Securities and Futures Commission are also working in tandem with the Government's effort to develop Hong Kong as a leading centre for green finance and connect green finance flows with the Mainland and the rest of the world.

Hong Kong is an internationally renowned financial centre and global RMB business hub. We are well equipped to become a leading regional hub for green finance through issuing bonds, initial public offerings and other channels such as fund distribution in Hong Kong. However, we need the support and active participation of relevant sectors to achieve this ambitious goal. I would like to thank the Hong Kong Quality Assurance Agency once again for joining hands with the HKSAR Government in promoting green finance in Hong Kong, the region and beyond.

On this encouraging note, I wish the Green Finance Certification Scheme every success in the years ahead. I would also like to applaud the certified organisations on their accomplishment and determination in financing for a green cause. And, of course, I also wish you all a very successful, stimulating and fruitful Forum today. Thank you.

