



# Mainland China and Hong Kong's Sustainable Finance Landscape

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# Hong Kong Green Finance Association - Overview

HKGFA launched in 2018, is a platform that brings together public and private sector, engages government, regulators, exchange and policy makers, with a mission to position Hong Kong as a leading international green and sustainable financial center and provide greater access and opportunities for Hong Kong's institutions to participate in green and sustainable financing transactions locally, in Mainland China and in markets along the Belt & Road.

This is in line with the Hong Kong S.A.R government's strategy, and the global trend of implementing the UN sustainable development goals, and the Paris Agreement.

## Industry collaboration

					
<b>Industry-wide Initiatives</b>	<b>Regulatory Engagement</b>	<b>GBA Integration</b>	<b>Capacity Building</b>	<b>Thought Leadership</b>	<b>Global Networks</b>
Eight HKGFA Working Groups	CASG's capacity building and data repository workstreams	GBA-GFA HK <ul style="list-style-type: none"><li>- Guangzhou</li><li>- Shenzhen</li><li>- Macau</li></ul>	Sustainable Finance Education	Sustainable Finance Research and Policy	<ul style="list-style-type: none"><li>- FC4S</li><li>- PCAF</li><li>- GIP</li><li>- APFF SFDN</li><li>- Biodiversity and The Finance</li></ul>

# Mainland China's Green and Sustainable Finance Landscape



## Taxonomy Development

- **Green Bond Endorsed Project Catalog (2021 edition)**
  - developed by the China Green Finance Committee and amended by the People's Bank of China (PBOC)
  - key areas of endorsed activities: energy, transportation, natural resources, etc.
- **Interaction with the EU taxonomy:** IPSF Common Ground Taxonomy
- **China Green Bond Principles (2022)**, in line with ICMA

## Disclosure

- **Initiative by PBOC and Ministry of Finance:** Step-by-step implementation of mandatory disclosure of climate-related information for the listed companies
- **Green Bond issuers and financial institutions** are required to disclose **climate-related information** under the PBOC's supervision.

**“30 60” Decarbonization Goals:**  
**RMB 487 trillion required over the next 30 years**

## Policy Incentive

- **PBOC measures green finance performance of major local banks**
  - Assessments will be incorporated in banks' ratings alongside the PBOC's other policies and prudential management tools.
- PBOC supports banks with **low-cost funding** to provide discounted loans to companies with **emission reduction impact**.

## Product Development

### Product development in the domestic market:

#### Green Loans

Totaled 20 trillions  
RMB (2022 June)

#### Green Bonds

Totaled 1.41 trillions  
RMB (2021, CBI)

#### Green Funds

700+ Funds

- *A variety of emerging products: carbon finance, ETF, climate insurance, etc.*

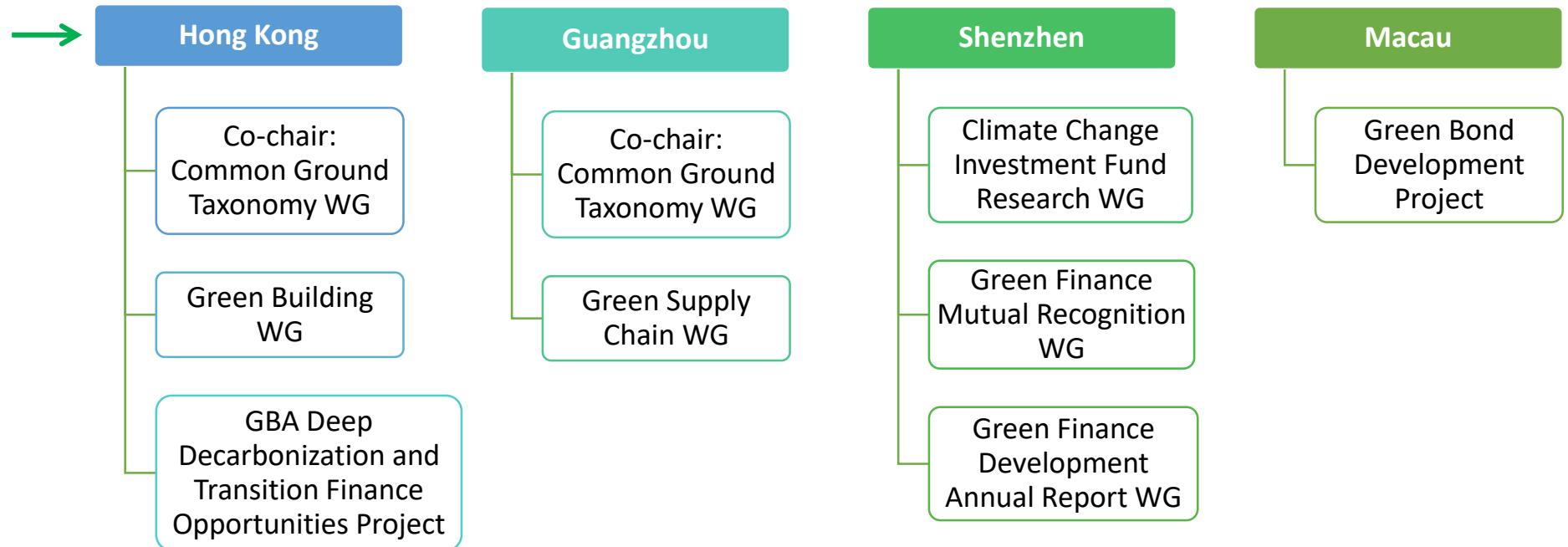
# The Greater Bay Area Green Finance Alliance (GBA-GFA)

Launched in 2020, the GBA-GFA is a collaboration between **HKGFA**, the **Green Finance Committee of Guangdong Society for Finance and Banking (GDGFC)**, the **Green Finance Committee of Financial Secretary of Shenzhen Special Economic Zone (SZGC)** and the **Macau Association of Banks**.

The Alliance aims to foster closer integration and regulatory cooperation on green and sustainable finance by leveraging the green investment demand in the four GBA regions.

## GBA-GFA Working Groups and Projects:

*Region that leads collaborations on the working group (WG) or project*



# Hong Kong's Green and Sustainable Finance Landscape

## Hong Kong's Green and Sustainable Finance Strategic Plan and Five Near-Term Action Points by the Cross Agency Steering Group (CASG)

### Five Near-Term Action Points (Dec 2020) :

- Climate-related disclosures aligned with the **TCFD** recommendations will be mandatory across relevant sectors no later than 2025
- **Aim to adopt the IPSF Common Ground Taxonomy (CGT)**
- Support the **IFRS's** proposal to establish a new Sustainability Standards Board for developing and maintaining a global, uniform set of sustainability reporting standards
- Promote **climate-focused scenario analysis**
- Establish a platform for different stakeholders to coordinate cross-sectoral resources

The **CASG** is co-chaired by the **HKMA** and the **SFC**, aiming to coordinate the management of climate risks to the financial sector, accelerate the **growth of green and sustainable finance** in Hong Kong and support the **Government's climate strategies**.

### The HKGFA CGT Research Series:

- The published **Phase 1** and **Phase 2** explore the **opportunities and challenges** associated with the CGT and the **key use cases** in financing, policy making etc.
- The ongoing **Phase 3** aims at studying the development of a **CGT-based regional taxonomy**.

### Six Key Focus Areas of the Strategic Plan:



#### Risk Management

Strengthen the management of climate-related financial risks to consolidate Hong Kong's position as a global risk management centre



#### Disclosure

Promote the flow of climate-related information at all levels to facilitate risk management, capital allocation and investor protection



#### Capacity Building

Enhance capabilities of market participants and raise awareness among the general public



#### Innovation

Encourage innovation and explore initiatives to facilitate capital flows towards green and sustainable causes



#### Mainland Opportunities

Capitalise on the opportunities presented by the Mainland to develop Hong Kong into a green finance centre in the Guangdong-Hong Kong-Macao Greater Bay Area



#### Collaboration

Strengthen regional and international collaboration



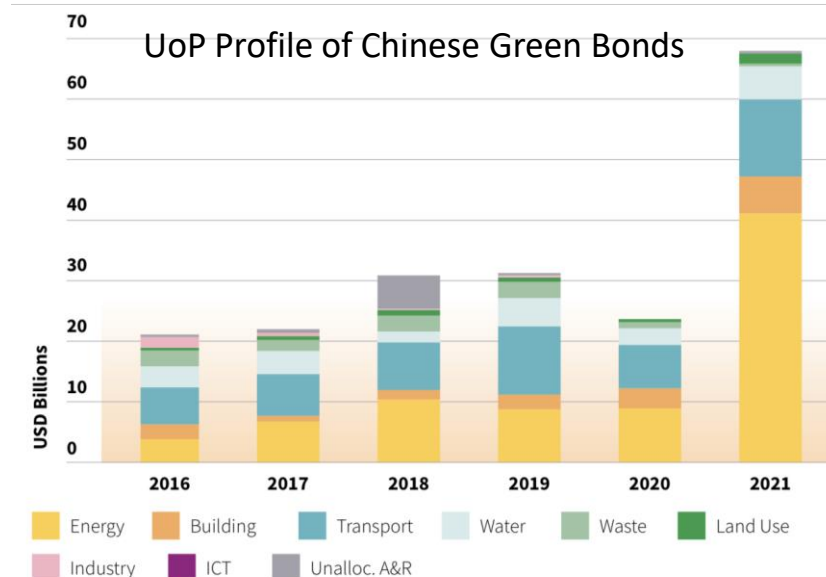
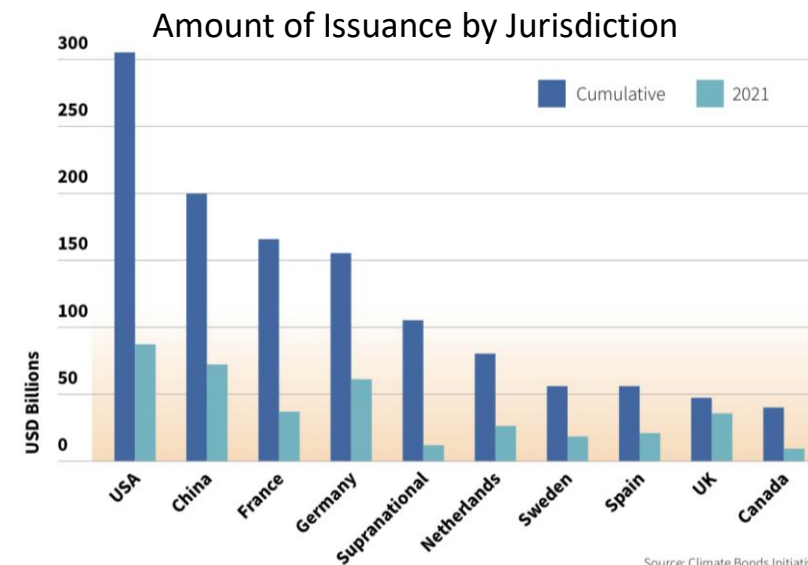
# Green and Sustainable Finance Product Developments

## – National-Level



### Overview of China Green Bond Market - second largest source of green bonds in the global market.

- In 2021, **total labelled issuance** in the domestic and international markets **more than doubled** to USD109.5bn from a when compared to 2020. Main source of growth is provided by the **onshore market**.
  - Majority of **onshore issuance** from the **utilities, financials and industrials sectors**.
  - **Offshore issuance** dominated by **financial corporates**.
- Majority of **issuers** are **non-financial corporates and State-owned enterprises** with a substantially emerging issuer based
- Most **proceeds** went into **Energy, Transport, and Buildings**.
  - Growth led by **renewable energy** among Up categories.
- **SPO** remained the most popular **external review** type
- Emerging **themes and innovation**: **carbon neutrality, social and sustainability, transition finance**



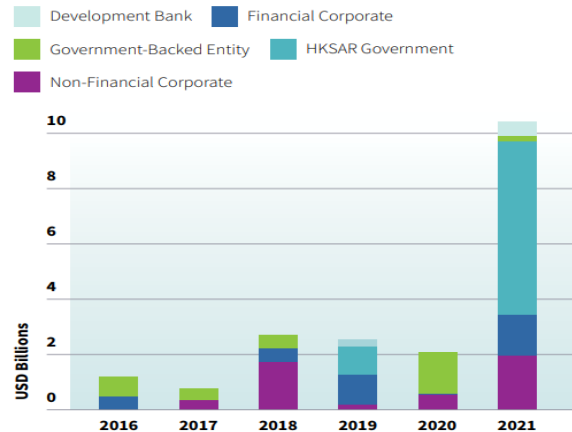
# Green and Sustainable Finance Product Developments

## – Hong Kong SAR



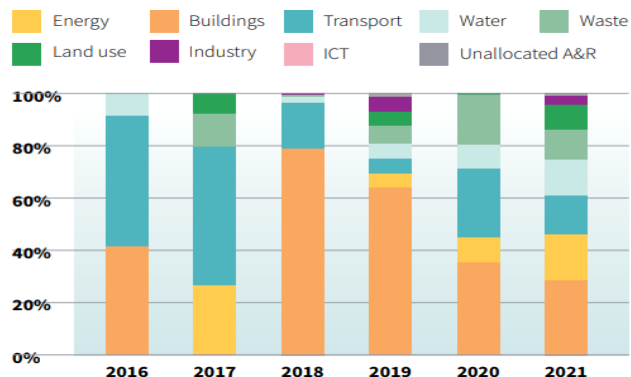
By 2021, **USD10.4bn** worth of green bonds and loans aligned with Climate Bonds GBDB are identified from Hong Kong issuers in 2021.

- **Government issuance** support growth in 2021



Source: HKMA  
Source: Climate Bonds Initiative

Green UoP by Hong Kong issuers were more evenly allocated across categories in 2021 than in prior years



Source: HKMA  
Source: Climate Bonds Initiative

### Government Green Bond Programme (GGBP)

- As at end-July 2022, the Government close to **US\$10 billion** worth of **green bonds** under the GGBP, funding a **wide variety of green projects**. On 5th Jan, the Government offered **US\$5.75 billion** worth of green, denominated in USD, EUR and RMB, making it the largest ESG bond issuance in Asia.

### Green and Sustainable Finance Grant Scheme

- The Scheme aims at providing **subsidy** for eligible bond issuers and loan borrowers to cover their expenses on **bond issuance and external review services**. As at end-June 2022, about **110 applications** have been approved under the scheme, covering various kinds of green and sustainable debt instruments **totalling US\$35 billion**.

### Offshore RMB local government bonds in Hong Kong

- The **People's Government of Hainan Province** and the **Shenzhen Municipal People's Government** announced separately in Oct 2022 that they will **issue offshore RMB local government bonds in Hong Kong**, which will be listed on the **Stock Exchange of Hong Kong**.
- The **Financial Secretary, Mr Paul Chan**, said, "...We will amend the legislation to extend the above **tax concessions** to cover the debt instruments issued in other Mainland provincial and municipal governments

# Green and Sustainable Finance Capacity Building and Data

## Capacity Building

### CASG Centre for Green and Sustainable Finance (GSF Centre):

- GSF Internship Opportunities
- GSF Training Information Repository
- Green and Sustainable Finance Capacity Building Support Scheme

HKGFA's Certificate Programs with the HKUST and HKFSI are recognized as eligible programs under the **3-years Pilot Scheme** and included into the **GSF training information repository**.

## Green and Sustainable Finance Data

- **GSF Centre Data Source Repository**
- **CASG and CDP** work together to enhance climate data availability and sustainability reporting
  - Develop first cross-sector reporting template designed for first-time reporting corporates with comprehensive guidance and materials

HKGFA is a member of the CASG GSF Centre **Capacity Building** and **Data and Analytics** workstreams







Thanks for Listening