

Press Release

LCQ5: Development of green finance

Wednesday, November 8, 2017

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (November 8):

Question:

In December 2015, the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change passed the Paris Agreement on the global response to climate change, with the Parties to the Convention agreeing to control the rise of global average temperature within two degrees Celsius (benchmarking against the pre-industrialisation level). In May last year, the Financial Services Development Council published a report entitled Hong Kong as a Regional Green Finance Hub, putting forward a number of recommendations on ways to consolidate Hong Kong's leading position in green finance. Such recommendations include the issuance of benchmark green bonds by issuers controlled by the Government and public organisations, and the nurturing of green finance talents leveraging on the resources of universities and professional bodies, so as to ensure that there is a sufficient supply of such talents. On the other hand, the Airport Authority Hong Kong (AAHK) has announced that it will issue a green bond in Hong Kong. In this connection, will the Government inform this Council:

(1) whether the authorities have taken follow up actions on the recommendations put forward in the aforesaid report; if not, of the reasons for that; if so, the details, including whether they have formulated plans to nurture green finance talents;

(2) whether it knows if there are, apart from AAHK, other public organisations planning to issue green bonds within the coming two years; if it knows that there are, of the names of the organisations as well as the contents of and the issuance schedules for the bonds; if not, the reasons for that; and

(3) whether the authorities have plans to draw up clear definitions, scopes and information disclosure requirements for various products and projects of green

finance, and set up an assessment mechanism that meets international standards, so as to prevent anyone from selling deceptively products and projects the nature of which does not conform with environmental principles (commonly known as "greenwashing"); if so, of the details; if not, the reasons for that?

Reply:

President,

My consolidated reply to the three parts of the question is as follows:

The Financial Services Development Council released in May 2016 a report entitled "Hong Kong as a regional green finance hub", which makes a number of recommendations for Hong Kong to establish its leading position in green finance. We attach great importance to the opportunities brought by the development of green finance, and have been following up on the related work, including the organisation of a thematic workshop on "green economy development" at the Asian Financial Forum 2017 held in January this year. The Government and the regulatory authorities will continue to keep in view the development of green finance in the global market, and to promote our competitive edges in terms of capital markets and green finance at international forums organised in Hong Kong.

To demonstrate our support for sustainable development and determination to protect the environment, and to promote the development of green finance in Hong Kong, we will take the lead in issuing a green bond in the next financial year. Through this initiative, we seek to encourage investors in the Mainland and along the Belt and Road as well as international investors to arrange financing of their green projects through our capital markets.

With a sound legal and regulatory system, well-developed capital markets underpinned by robust market infrastructure, and a wealth of financial intermediaries and talent, Hong Kong is well-equipped to develop green finance. Apart from the Airport Authority Hong Kong's earlier announcement to issue green bonds in Hong Kong, the MTR Corporation Limited (MTRCL), following its first issuance of a US dollar green bond in November last year, has issued several green private placement bonds in different currencies and with different tenors this year. The MTRCL indicates that it intends to issue

additional green bonds in Hong Kong, subject to market conditions and its own funding needs.

Currently, there are different international organisations issuing green bond standards and guidelines, serving as reference for green bond issuers and investors. These include the Green Bond Principles (GBP) issued by the International Capital Market Association (ICMA) and the Climate Bonds Standard issued by the Climate Bonds Initiative. Generally speaking, these organisations establish standards and guidelines on the issuance of green bonds covering such aspects as the use and management of proceeds as well as project selection and reporting. MTRCL's Green Bond Framework aligns with the GBP of the ICMA. Meanwhile, the Hong Kong Quality Assurance Agency is working on a green finance certification scheme. A Technical Committee has been formed to deliberate technical details of the scheme, with representatives of the Financial Services and the Treasury Bureau and the Environment Bureau attending its meetings as observers. We are glad to see that a local organisation is establishing a green finance certification scheme by making reference to international standards. We will look into how we could support the implementation of the scheme.

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