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# Hong Kong, China's Experiences in Green Bond Market Development

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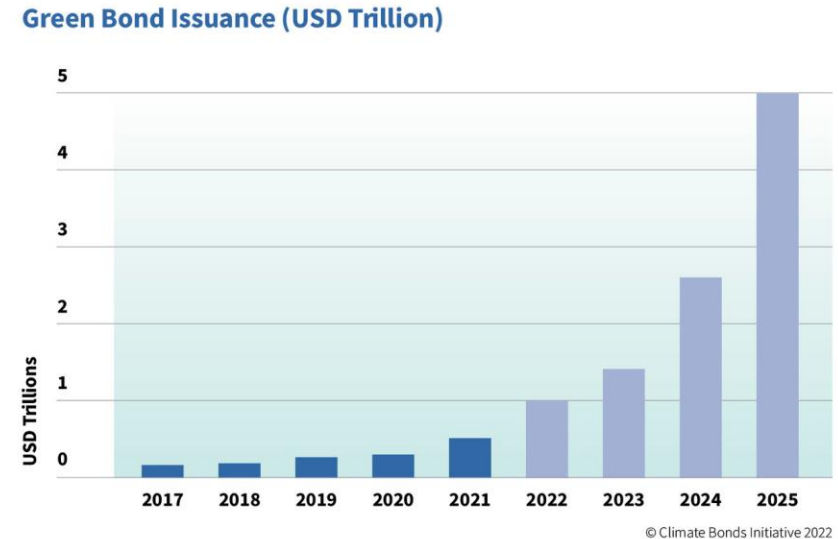
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# There is accelerating demand for green finance...

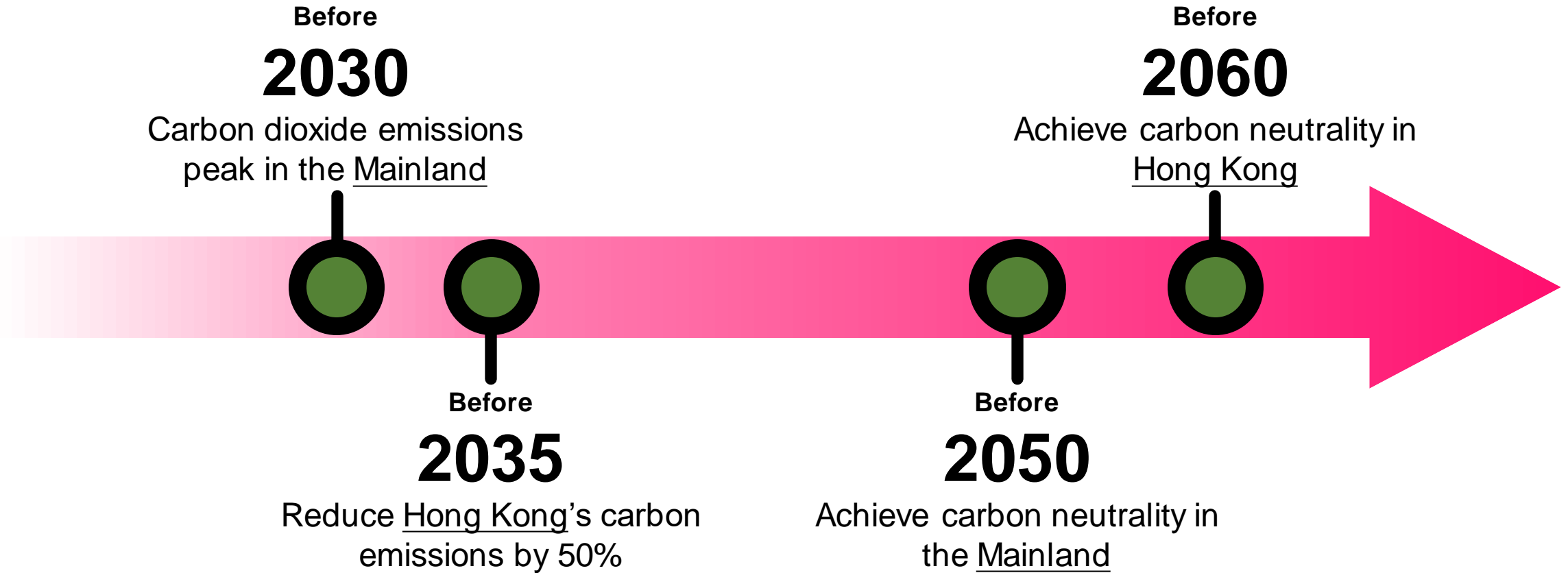
- ◆ In 2015, COP21 was held and Paris Agreement was adopted
  - ◆ newly calibrated global ambition to climate change
  - ◆ finance is demanded on a huge scale to achieve these goals
  - ◆ World leaders reaffirmed their commitment to combat climate change at COP26 in Glasgow last year
- ◆ Globally USD517bio of green bonds was issued in 2021
  - ◆ Marking a new global record with 60% growth over 2020
  - ◆ About 1/5 from the Asia-Pacific region



Green finance is no longer a question of “IF”, but a question of “HOW” and “WHERE”



# There is accelerating demand for green finance...



In the next 15 to 20 years, the HKSAR Govt will be investing **HK\$240 billion** to support a series of actions to combat climate change.



# Hong Kong – Asia's Leading International Financial Centre

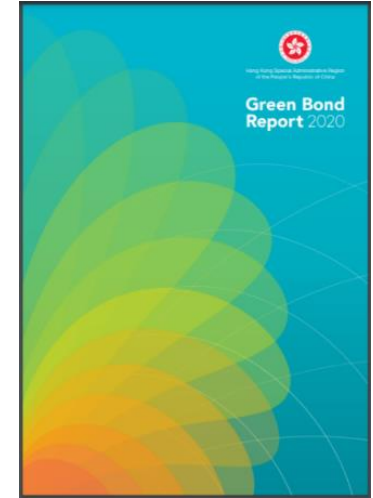


The HKSAR Government and our regulators have rolled out a series of measures to develop Sustainable Finance in Hong Kong



# Government Green Bond Programme

- ◆ The Government Green Bond Programme (GGBP) was launched in 2018
  - ◆ the sums borrowed are credited to the Capital Works Reserve Fund for green projects
  - ◆ a separate programme independent of the Government Bond Programme established in 2009
- ◆ Green bond reports published annually
- ◆ In July 2021, doubled the borrowing ceiling of the GGBP to HK\$200 billion such that the Government may pilot the issuance of green bonds that involves different currencies, project types and issuance channels



Provide benchmark pricing for the market and encourage issuers and investors to use Hong Kong's platform



# Government Green Bond Programme

|                   | 1 <sup>st</sup> Batch                             | 2 <sup>nd</sup> Batch | 3 <sup>rd</sup> Batch          |
|-------------------|---|-----------------------|--------------------------------|
| <b>Issue Date</b> | May 2019  | Feb 2021              | November 2021                  |
| <b>Currency</b>   | USD   | USD                   | USD, Euro, RMB                 |
| <b>Size</b>       | US\$1 billion                                     | US\$2.5 billion       | about US\$4 billion equivalent |
| <b>Ratings</b>    | Fitch AA+<br>S&P AA+                              | Fitch AA-<br>S&P AA+  | Fitch AA-<br>S&P AA+           |
| <b>Listing</b>    | Hong Kong Stock Exchange<br>London Stock Exchange |                       |                                |

Over USD7bio worth issued across different currencies and tenors



# Government Green Bond Programme

## Allocation of the proceeds

### A. Waste Management and Resource Recovery

|   | Inaugural Issuance   | February 2021 Issuances                    |
|---|--|--|
| <b>Proceeds for the Category:</b>               | <b>HK\$4,045 million (US\$519 million)</b>                               | <b>HK\$6,781 million (US\$874 million)</b> |
| Proceeds Allocated:                             | HK\$4,045 million (US\$519 million)                                      | HK\$2,649 million (US\$341 million)        |
| Proceeds Earmarked:                             | –  | HK\$4,132 million (US\$533 million)        |
| <b>Percentage of the Total Proceeds Raised:</b> | 51.67%   | 35.13%                                     |
| <b>Projects Financed:</b>                       | 1. Integrated Waste Management Facilities Phase 1 (I-PARK)<br>2. O-PARK1 | 1. I-PARK<br>2. O-PARK2*                   |

\*Newly Selected Project

### B. Green Buildings

|   | Inaugural Issuance   | February 2021 Issuances  |
|---|--|--|
| <b>Proceeds for the Category:</b>               | <b>HK\$2,156 million (US\$276 million)</b>   | <b>HK\$8,457 million (US\$1,091 million)</b>   |
| Proceeds Allocated:                             | HK\$2,156 million (US\$276 million)  | HK\$4,058 million (US\$524 million)  |
| Proceeds Earmarked:                             | –  | HK\$4,399 million (US\$567 million)  |
| <b>Percentage of the Total Proceeds Raised:</b> | 27.53%   | 43.81%   |
| <b>Projects Financed:</b>                       | 1. West Kowloon Government Offices<br>2. Inland Revenue Tower in the Kai Tak Development | 1. Inland Revenue Tower in the Kai Tak Development<br>2. Treasury Building*<br>3. Redevelopment of Queen Mary Hospital, Phase 1*<br>4. East Kowloon Cultural Centre* |

\*Newly Selected Project

### C. Water and Wastewater Management

|   | Inaugural Issuance   | February 2021 Issuances   |
|---|--|---|
| <b>Proceeds for the Category:</b>               | <b>HK\$1,127 million (US\$144 million)</b>   | <b>HK\$2,021 million (US\$261 million)</b>  |
| Proceeds Allocated:                             | HK\$1,127 million (US\$144 million)  | HK\$1,114 million (US\$144 million)   |
| Proceeds Earmarked:                             | –  | HK\$907 million (US\$117 million)   |
| <b>Percentage of the Total Proceeds Raised:</b> | 14.40%   | 10.47%  |
| <b>Projects Financed:</b>                       | 1. Upgrading of San Wai Sewage Treatment Works - Phase 1<br>2. Additional Sewage Rising Main and Rehabilitation of the Existing Sewage Rising Main between Tung Chung and Siu Ho Wan | 1. Upgrading of San Wai Sewage Treatment Works - Phase 1<br>2. Additional Sewage Rising Main and Rehabilitation of the Existing Sewage Rising Main between Tung Chung and Siu Ho Wan<br>3. West Kowloon Drainage Improvement-Inter-reservoirs Transfer Scheme*<br>4. Expansion of Sha Tau Kok Sewage Treatment Works - Phase 1* |

\*Newly Selected Project

### D. Energy Efficiency and Conservation

|   | Inaugural Issuance                                    | February 2021 Issuances  |
|---|---|--|
| <b>Proceeds for the Category:</b>               | <b>HK\$501 million (US\$64 million)</b>               | <b>HK\$2,045 million (US\$264 million)</b>   |
| Proceeds Allocated:                             | HK\$501 million (US\$64 million)                      | HK\$425 million (US\$55 million)   |
| Proceeds Earmarked:                             | –   | HK\$1,620 million (US\$209 million)  |
| <b>Percentage of the Total Proceeds Raised:</b> | 6.40%   | 10.59%   |
| <b>Projects Financed:</b>                       | 1. District Cooling System at the Kai Tak Development | 1. District Cooling System at the Kai Tak Development<br>2. Additional District Cooling System at the Kai Tak Development* |

\*Newly Selected Project



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# Government Green Bond Programme

## Way forward

In February 2022, the Government announced the offering of the **inaugural retail green bond** for public subscription.

The target issue size is HK\$15~20 billion subject to market condition. The subscription period will be April 26 - May 6.



This year, we will continue to issue green bonds totalling about **US\$4.5 billion** or equivalent.





# Green and Sustainable Finance Grant Scheme

A new Green and Sustainable Finance Grant Scheme was launched in May 2021 to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on [bond issuance](#) and [external review services](#). The Scheme will last for three years.

As at end February 2022, [over 50 applications](#) have been approved under the scheme covering various kinds of green and sustainable debt instruments.

## 綠色和可持續金融資助計劃 Green and Sustainable Finance Grant Scheme



# Green and Sustainable Finance Grant Scheme

The Scheme will subsidise –

- (i) **bond issuance costs** of eligible issues by first-time issuers of green and sustainable bonds, subject to a minimum issuance size of HK\$1.5 billion and a maximum subsidy of **HK\$2.5 million** per issuance; and
- (ii) **external review costs** from the use of recognised external reviewers by green and sustainable bond issuers and loan borrowers, subject to a minimum issuance size of HK\$100 million and a maximum subsidy of **HK\$800,000** per issuance.

We lowered the minimum loan size threshold from \$200 million to **\$100 million** in respect of applications for subsidies for covering external review costs under the scheme in early March 2022.



# Cross-Agency Steering Group



財經事務及庫務局  
Financial Services and the Treasury Bureau

**HKEX**  
香港交易所



HONG KONG MONETARY AUTHORITY  
香港金融管理局



強制性公積金計劃管理局  
MANDATORY PROVIDENT FUND  
SCHEMES AUTHORITY



SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會



保險業監管局  
Insurance Authority



環境局  
Environment Bureau

The Steering Group was established in **May 2020** 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 HKSAR Govt's climate strategies

In July 2021, the Steering Group announced its priorities to focus on:

- climate-related disclosures and sustainability reporting
- carbon market opportunities
- the launch of the new Centre for Green and Sustainable Finance



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# Pilot Green and Sustainable Finance Capacity Building Support Scheme

As announced in the 2022-23 Budget,

We plan to launch a three-year Pilot GSF Capacity Building Support Scheme.

Under the scheme, **subsidies** will be provided for practitioners in the financial and other relevant sectors to participate in GSF **training** and obtain relevant **professional qualifications**, so as to encourage them to enroll in the relevant training.



Source of photo: <https://www.info.gov.hk>



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# Support from the Central People's Government

## The Guangdong-Hong Kong-Macao Greater Bay Area (GBA)

*The Central People's Government promulgated the Outline Development Plan for the GBA promulgated in 2019, supporting Hong Kong's development into a green finance centre in the region.*



*The Opinion on Providing Financial Support for the Development of the GBA in May 2020, supporting more GBA entities to make use of our platform for the financing and certification of their green projects and supporting Guangdong incorporated financial institutions to issue green bonds and other green financial products in Hong Kong to finance green enterprises and projects in the GBA.*

## The Belt and Road Initiative (BRI)

*The HKSAR Government and the NDRC signed the “Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative”. The Arrangement puts forward specific measures focusing on six key areas and Finance & Investment is one of them*



# Landscape of Green Bond Market in Hong Kong

- ◆ The volume of green and sustainable bonds arranged in Hong Kong amounted to US\$31.3 billion in 2021
  - ◆ the 2021 figure is about four times of the 2020 figure
  - ◆ the 2021 figure accounts for one-third of the Asian green and sustainable bond market
  - ◆ Over the years, local, Mainland & overseas issuers have used Hong Kong's platform to issue green bonds, including Asian Development Bank, World Bank and European Investment Banks
- ◆ Over the years, notable deals from Mainland issuers:
  - ◆ the world's first Guangdong-Hong Kong-Macau Greater Bay Area – themed green bond
  - ◆ The Shenzhen Municipal People's Government bond issuance, the first time a Mainland municipal government issues bonds, and green bonds, outside the Mainland
- ◆ Hong Kong's Green debt instrument suite is more than traditional green bonds:
  - ◆ the world's first real estate sector's green convertible bond
  - ◆ Asia's first Green Retail Certificates of Deposit





**We will continue to work closely with the financial sector and relevant stakeholders to promote the development of green and sustainable finance in Hong Kong.**

**Thank you.**



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