

Latest Developments of Green Finance (1st half of 2021)

This policy update is prepared by the Policy Research and Dissemination Working Group of the Hong Kong Green Finance Association. To read more about the working group, visit:

1. Hong Kong

- **HKMA announces guideline on the Green and Sustainable Finance Grant Scheme (GSF Grant Scheme):** On 4 May 2021, HKMA announces guideline on the Green and Sustainable Finance Grant Scheme (GSF Grant Scheme) as announced in the 2021-22 Budget. The GSF Grant Scheme will provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services.¹
- **HKQAA's Green and Sustainable Finance Certification Scheme:** On 4 May, HKQAA launched the Green and Sustainable Finance Certification Scheme, which aims to strengthen market confidence in sustainable finance projects through professional and impartial third-party conformity assessments, thereby encouraging more capital flows towards green and sustainable uses.²
- **HKQAA launched Green Loan e-Assessment Platform:** On 3 March, HKQAA launched the Green Loan e-Assessment Platform to encourage more enterprise to develop and participate in green business and invest in environmental protection projects. The Platform provides a quick and easy way for companies to conduct green assessments of their loan projects via the internet.³
- **HKSAR Government's Green Bonds Offering:** On 27 January, the Government of the Hong Kong Special Administrative Region of the People's Republic of China announced the successful offering of US\$2.5 billion of green bonds under the Government Green Bond Programme. The offering comprises three tranches of US\$1 billion 5-year, US\$1 billion 10-year and US\$500 million 30-year green bonds, which will build a comprehensive benchmark curve for potential issuers in Hong Kong and the region.⁴
- **SFC publishes new guidance on ESG fund disclosures:** On 29 June, The Securities and Futures Commission issued a circular to provide guidance to management companies of SFC-authorized unit trusts and mutual funds on enhanced disclosures for funds which incorporate environmental, social and governance (ESG) factors as a key investment focus (ESG funds). In view of the rapid development of a diverse range of ESG investment strategies, the SFC is mindful of the need for asset managers to clearly disclose how funds attain their ESG focus in order to help investors understand these products and assess whether they meet their investment needs.⁵

¹<https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/05/20210504-4/>

²https://www.hkqaa.org/en_certservice.php?catid=26&id=45
<https://www.hkqaa.org/cmsimg/1620122628Green%20and%20Sustainable%20Finance%20Grant%20Scheme%20eng%20v4.pdf>

³https://www.hkqaa.org/cmsimg/1614781375layout_v4%202021%20release%20en.pdf

⁴<https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/01/20210127-3/>

⁵<https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=21PR67>

2. Mainland China

- **China Green Bond Endorsed Projects Catalogue (2021):** In May 2021, the People's Bank of China, China's central bank, the China Securities & Regulatory Commission and the National Development & Reform Commission announced an updated "Green Bonds Endorsed Projects Catalogue" to govern China's green bonds market in a significant consolidation that has implications for investors as the market grows.⁶
- **Measures for the Administration of Carbon Emission Trading (for Trial Implementation) published:** On 5 January, The Ministry of Ecology and Environment published an interim regulation on the management of carbon trading, which marked the fact that China's national carbon market has opened for business, according to the Environmental Defense Fund's China program.⁷
- **China launches bulletin on carbon emission rights trading:** On 22 June, The Shanghai Environment and Energy Exchange launched a bulletin on the trading of carbon emission rights for the whole nation, according to the bourse's website.⁸
- **Interim Measures of Shenzhen Municipality on the Administration of Carbon Emission Trading (Draft for Comments) published:** In June, in order to further standardize and improve the carbon emission trading mechanism of Shenzhen and promote the carbon emission trading market to better serve the city's carbon peak goal and carbon-neutral vision, Justice Bureau of Shenzhen Municipality published Interim Measures of Shenzhen Municipality on the Administration of Carbon Emission Trading (Draft for Comments), which proposed to establish carbon trading fund, and manager the quota for distribution of income of the government, etc.⁹
- **Issue of Carbon Emission Registration Management Rules (Trial), Carbon Emission Trading Management Rules (Trial) and Carbon Emission Settlement Management Rules (Trial):** In May, to further standardize the national carbon emissions rights registration, trading and settlement activities, the Ministry of Ecology and Environment issued Carbon Emission Registration Management Rules (Trial), Carbon Emission Trading Management Rules (Trial) and Carbon Emission Settlement Management Rules (Trial), according to Measures for the Administration of Carbon Emission Trading (for Trial Implementation).¹⁰

⁶<https://www.climatebonds.net/files/files/the-Green-Bond-Endorsed-Project-Catalogue-2021-Edition-110521.pdf>
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4236341/2021042115215612655.pdf>
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4236341/index.html>

⁷English Version: http://english.mee.gov.cn/News_service/media_news/202101/t20210106_816186.shtml

Chinese Version:

http://www.mee.gov.cn/xxgk2018/xxgk/xxgk02/202101/t20210105_816131.html?keywords=%E7%A2%B3%E6%8E%92%E6%94%BE

⁸http://english.mee.gov.cn/News_service/media_news/202106/t20210623_841439.shtml

<https://www.cneeex.com/c/2021-06-22/491198.shtml>

⁹http://sf.sz.gov.cn/ztl/zflf/lfxmyjzj/content/post_8857908.html

¹⁰http://www.mee.gov.cn/xxgk2018/xxgk/xxgk01/202105/t20210519_833574.html?keywords=%E7%A2%B3%E6%8E%92%E6%94%BE

- ***Shenzhen Special Economic Zone on Green Finance Regulation implemented:***
Shenzhen Special Economic Zone Green Finance Regulation, China's first regulation in green finance, came into effect on 1st March 2021. Industrial Bank actively participate in the construction of Shenzhen green financial franchise system, and will be guided by Green Finance Regulation continue to push the development of green industry, as well as China Development Bank (CDB) Shenzhen Branch.¹¹
- **Green Finance Evaluation Scheme for Banking Financial Institutions published:** On 9 June , the People's Bank of China published the Green Finance Evaluation Scheme for Banking Financial Institutions, in order to enhance the financial sector's ability to support green, low-carbon and high-quality development and optimize the incentive and constraint mechanism of green finance.¹²

¹¹http://www.sz.gov.cn/cn/xxgk/zfxxgj/bmdt/content/post_8577733.html

¹²<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4265383/index.html>

3. Global Markets

- **Sustainable Finance and EU Taxonomy:** On 21 April 2021, the European Commission published its Sustainable Finance Package containing three important sustainable finance legislative developments: the EU Taxonomy climate delegated act, the proposal for a new Corporate Sustainability Reporting Directive (CSRD), and six amending delegated acts on fiduciary duties and sustainability preferences.¹³
- **EU Regulation on sustainability-related disclosures in the financial services sector:** The ESAs have submitted the draft regulatory technical standards (RTS) to the Commission in February 2021 and proposed that the RTS should apply from 1 January 2022.¹⁴
- **US SEC Requests Comments on Climate Change Disclosures:** On 15 March, the Acting Chair of the US Securities and Exchange Commission, Allison Herren Lee, issued a statement requesting public comment on climate change disclosures, acknowledging the lack of consistent and comparable climate change information for investors under existing SEC regulations.¹⁵
- **US SEC Announces Enforcement Task Force Focused on Climate and ESG Issues:** On 4 March, the US Securities and Exchange Commission announced the creation of a Climate and ESG Task Force in the Division of Enforcement. The task force will develop initiatives to proactively identify ESG-related misconduct and will also coordinate the effective use of Division resources, including through the use of sophisticated data analysis to mine and assess information across registrants, to identify potential violations¹⁶
- **Proposal for a Corporate Sustainability Reporting Directive (CSRD) adopted:** The European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the NFRD. The proposal requires companies to digitally ‘tag’ the reported information, so it is machine readable and feeds into the European single access point envisaged in the capital markets union action plan.¹⁷
- **The Announcement of Inaugural Sovereign Green Bond (Or ‘Green Gilt’) Issued:** In May 2021, the UK Debt Management Office (DMO) announced that the first Green Gilt will be issued in September 2021, subject to demand and market conditions. Green Financing products like these are a form of Government borrowing to finance projects with clearly defined environmental benefits.¹⁸

¹³https://ec.europa.eu/commission/presscorner/detail/en/ip_21_1804

¹⁴https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector_en

https://www.esma.europa.eu/sites/default/files/library/jc_2021_06_joint_esas_supervisory_statement_-_sfd.pdf
https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfd.pdf

¹⁵<https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>

¹⁶<https://www.sec.gov/news/press-release/2021-42>

¹⁷<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189>

¹⁸<https://www.gov.uk/government/publications/uk-government-green-financing>

- **The UK Government Green Financing Framework published:** On 30 June 2021 HM Treasury and the DMO published the UK Government Green Financing Framework, which sets out the Government's ambitious climate and environmental agenda and its vision for enhancing the UK's leadership as the world's pre-eminent green financial centre and also details how the proceeds from the Green Gilt and retail Green Savings Bonds will finance expenditures to help tackle climate change, biodiversity loss, and other environmental challenges, while creating green jobs across the UK.¹⁹
- **Green & Social Bond Principles 2021 edition issued:** In June, the International Capital Market Association (ICMA) issued the 2021 edition of Green bond principles (GBP), which is the first update to the GBP since 2018. The 2021 edition of the GBP identifies key recommendations regarding Green Bond Frameworks and External Reviews alongside the four core components of the GBP.²⁰
- **The FCA Chancellor recommended to consider the Government's commitment to achieve a net-zero economy by 2050:** The Financial Conduct Authority (FCA) Chancellor stated in the remit letter that the FCA should have regard to the government's commitment to achieve a net-zero economy by 2050 under the Climate Change Act 2008 (Order 2019) when considering how to advance its objectives and discharge its functions.²¹
- **Consultation Document Proposal for an Initiative on Sustainable Corporate Governance released:** On 8 February, German Sustainable Finance Committee issued Consultation Document Proposal for an Initiative on Sustainable Corporate Governance, aiming to collect the views of stakeholders with regard to a possible Sustainable Corporate Governance Initiative.²²
- **TCFD Response Guidance of the "Proposal of the Working Group on Climate Related Financial Information Disclosure in the Real Estate Industry":** In March, Japan's Task Force on Climate-related Financial Disclosures (TCFD) published Response Guidance in the Real Estate Sector to support the proposal of TCFD based on the actual situation of the real estate field in Japan.²³
- **New Zealand becomes first in world for climate reporting:** In April, Commerce and Consumer Affairs Minister David Clark says Aotearoa New Zealand has become the first country in the world to introduce a law that requires the financial sector to disclose the impacts of climate change on their business and explain how they will manage climate-related risks and opportunities. The Financial Sector (Climate-related Disclosure and Other

¹⁹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/998127/20210630_UK_Government_Green_Financing_Framework_Final.pdf

²⁰<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

<https://www.icmagroup.org/News/news-in-brief/green-and-social-bond-principles-2021-edition-issued/>

²¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972445/CX_Letter_-_FCA_Remit_230321.pdf

²²https://sustainable-finance-beirat.de/wp-content/uploads/2021/02/210208_SFB_Response_the_the_EU_Com_Consultation_on_Sustainable_Corporate_Governance.pdf

²³<https://tcf-consortium.jp/pdf/news/19100801/001396711.pdf>

Matters) Amendment Bill has been introduced to Parliament and will receive its first reading this week²⁴.

- **New Zealand Achievable blueprint for addressing climate change released:** In June, the Climate Change Commission's blueprint for addressing climate change released and has confirmed the Government has made good progress to reduce emissions, but a step up is now required. The Commission's final advice sets out the total amount of emissions New Zealand must cut over the next 15 years. It also provides three different pathways the Government could follow to keep within the proposed emission budgets.²⁵

²⁴<https://www.beehive.govt.nz/release/nz-becomes-first-world-climate-reporting>

²⁵<https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/inaia-tonu-nei-a-low-emissions-future-for-aotearoa/>

4. Green Financial Innovation

- **World Bank Group released Climate Change Action Plan 2021-2025:** In June, the World Bank released a Climate Change Action Plan, aiming to advance the climate change aspects of the WBG’s Green, Resilient, and Inclusive Development (GRID) approach, which pursues poverty eradication and shared prosperity with a sustainability lens. The new Action Plan represents a shift from efforts to “green” projects, to greening entire economies, and from focusing on inputs, to focusing on impacts.²⁶

²⁶<https://documents1.worldbank.org/curated/en/705731624380363785/pdf/World-Bank-Group-Climate-Change-Action-Plan-2021-2025-Supporting-Green-Resilient-and-Inclusive-Development.pdf>