



THE
LAW SOCIETY
OF HONG KONG
香港律師會

Second Instalment of 7th Belt and Road Conference

**Legal Professionals Joining Efforts
in Advancing EIGHT MAJOR STEPS to Build
High Quality Belt and Road Cooperation**

Promotion of Green Economy and the Use of Clean and Future Energy

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Outline

- What is Green Economy & BRI's Role
- Challenges of Developing Green Economy in BRI
- Types of Green Financing
 - Carbon Market
 - Green Loans
 - Green Bonds
 - Green Projects
- Hong Kong ESG Policies

What is Green Economy

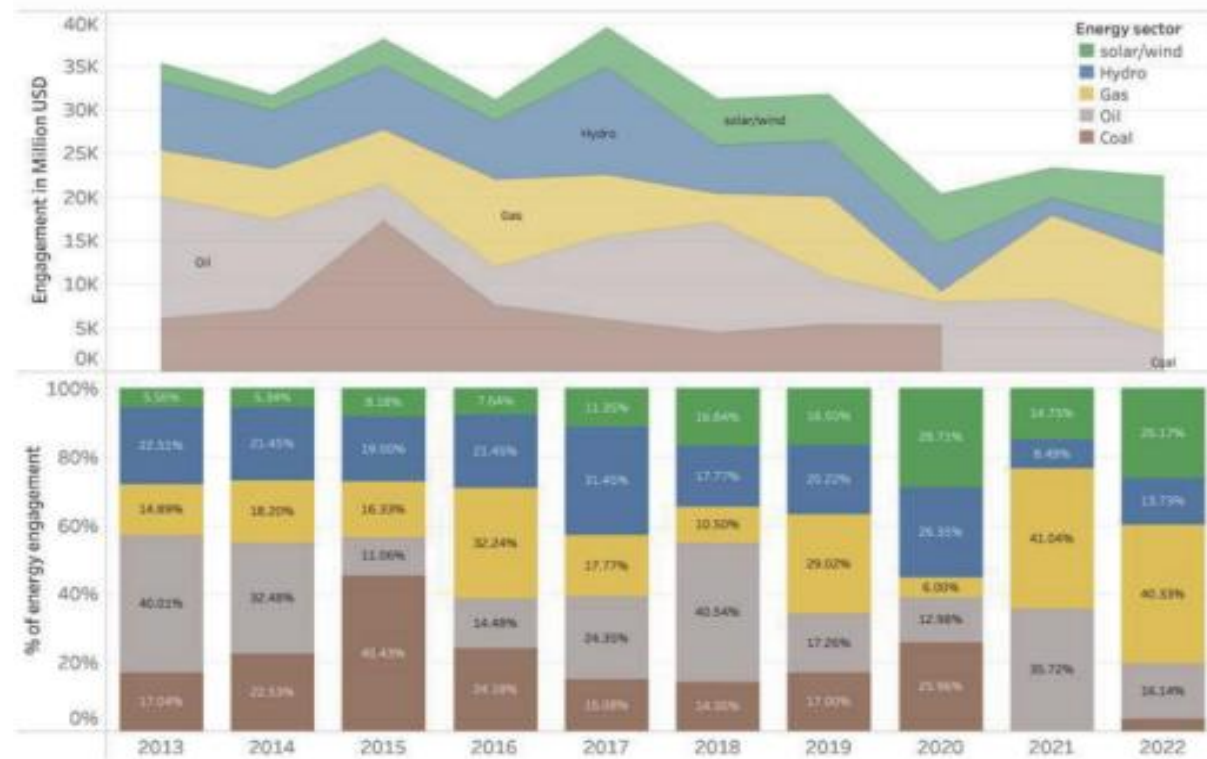
- Green economy
 - Def.: Economic activities for low carbon, resource efficient and socially inclusive environment driven by public and private investment
- UN Environment Programme wants to “green” the Belt and Road Initiative through the Belt and Road Initiative International Green Development Coalition



BRI & Green Economy

BRI Int'l Green Development Coalition

- Members comprise PRC corporations in infrastructure, finance and funds, organizations in BRI e.g. Sri Lanka and Pakistan and ESG research institutes
- Study on carbon credit market
- Silk Road Fund: Committed US\$6.8 billion to 25 green energy projects



Overview of BRI energy projects with Chinese participation in 2013-2022 per BRI Int'l Green Development Coalition 2024 Policy Study Series

Challenges in Developing Green Economy

Challenges

- High investment for BRI participating countries to implement green energy projects
- Political and policy barriers
- Technology barrier

Possible Solutions

- Financial institutions can provide green financing and project companies can increase their environmental disclosure
- Participating BRI countries are signatories to the Paris Agreement. Recognize the need for environmental policies
- Share renewable energy technologies and know-how e.g. China pledged to provide training on renewable energy tech, green financing to participating BRI countries

Types of Green Financing

1. Carbon Market

- A market for buying and selling carbon credits which fund green projects of businesses and govt. Buyers of carbon credits can offset their greenhouse gas emissions.
- Under the Paris Agreement of 2015, 190 nations agreed to set emission standard and allowed for emissions trading.
- HK Stock Exchange: Core Climate carbon credit platform with international standards on carbon credits
- China carbon market: RMB210 mil transaction value on first day of trading in 2021. Sinopec's participation amounted to 6% of the total carbon trading. There is a dedicated carbon trading team to manage carbon emission transactions centrally with carbon trading plans.
- German carbon market: In 2023, Sinopec Carbon Industry Technology Co. had its Upstream Emission Reduction project approved by Germany to conduct carbon trading. UERs are greenhouse gas emission reductions for petrol, diesel and LPG fuel in their raw material stage before refining or storage.



Types of Green Financing

2. Green Loans

- Green Sustainability-linked legal terms:
 - If reach sustainability targets in sustainability report -> interest rate discount
 - If sustainability target not reached, then normal interest rate
 - No event of default
 - For cross-border loans, the borrower may be HK company with guarantor a Chinese company
 - SAFE registration and need to have a time limit for the guarantee



Photo credits: 中国科技网-科技日报-
<http://www.stdaily.com/>

Types of Green Financing

3. Green Bonds

- Purpose: Issue bonds for green and sustainable projects
- Green bonds may be issued by govt or by corporations
- Hong Kong Govt renewed the “Green and Sustainable Finance Grant Scheme” to provide subsidy for bond issuers to cover their bond issuance and external ESG review services. Extended from 2024 to 2027. Need to meet first HK issuance, bond size not less than HK\$1.5 Bil etc requirements
- In 2023, Hong Kong’s green bonds volume reached global top ten at US\$18.2 trillion, with 92% from govt and rest from financial corporates (per Hong Kong Green Finance Association).



Types of Green Financing

4. Green Projects

- Hydrogen station and hydrogen powered bus
 - Involves public & private cooperation (signing of cooperation MOU w/ EPD)
 - Explain hydrogen technology & experience
 - Address public safety concerns with training
- EV battery swapping station
 - Sinopec, CATL signed a cooperation framework agreement: commit to building battery-swapping ecosystem across China. HK & Macau will have such stations. EV car owners can exchange their old EV battery pack for a fully charged one in just 100 secs at swapping stations.
- In China, the Chinese Energy Law is effect from 1/1/2025 and prioritises reducing carbon emissions, recognizes hydrogen and other forms of renewable energy and establishes a unified energy market system



EV swapping station (Source: VCG via Getty Images)

Types of Green Financing

Example of Successful Green Project



- Egrets nesting at Sinopec Zhenhai Refining & Chemical Company from Sinopec's Youtube Channel
- <https://youtu.be/h2SF7qon7JM?si=hv5ligWB8fQXHcjb>

Hong Kong ESG Policies

1. Listed companies' ESG Reporting Duty

- Must have annual ESG report from the Board on ESG management and progress
- Set out in the Listing Rules

2. Green financing

- Govt issues green bonds to provide funding for green and sustainable projects. Institutional investors and retail investors can buy these green bonds. Green loans can be entered into between banks and corporations with sustainability targets

Hong Kong government raises US\$3.2 billion via multicurrency green bond

Hong Kong's government raised US\$3.2 billion via green bonds denominated in US dollars, euros and offshore yuan in the city's latest push to establish itself as a sustainable finance hub

Reading Time: 2 minutes

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Hong Kong ESG Policies

3. Carbon neutral target

- Govt set a carbon neutral target by 2050 by:
 - net-zero electricity generation** (i.e. stop use of coal, increase use of renewable energy in fuel mix, use of new energy sources);
 - energy saving and green buildings** (i.e. enhance a building's energy efficiency);
 - green transport** (i.e. use of EV powered or hydrogen fuel cell public transport, stop registration of gas-powered private cars or hybrid cars by 2035); and
 - waste reduction** (i.e. waste-to-energy production, increase recycling and reduction efforts).



Photo credits: Jonathan Wong of South China Morning Post in article “Hong Kong’s first hydrogen-powered double-decker bus to hit streets on Sunday” dated 23 Feb 2024

Summary

- Hong Kong as an international finance centre & implementing Climate Action Plan with green financing, renewable energy
- Corporates can issue green bonds and enter into sustainability-linked green loans agreements
- Corporates can enter the carbon market to lower their carbon emissions
- Let's join hands in greening along the Belt and Road!



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