

Asia Investor Group on Climate Change (AIGCC)

Submission to Hong Kong SAR2024 Policy Address Public
Consultation

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Background

The [Asia Investor Group on Climate Change](#) is an initiative to create awareness and encourage action among Asia's asset owners and asset managers about the risks and opportunities associated with climate change and low-carbon investing. AIGCC works with [over 70](#) institutional investors in 11 Asian markets, with total funds under management of over \$28 trillion globally.

AIGCC provides capacity and a trusted forum for investors active in Asia to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy related to climate change.

Hong Kong's Exposure to Extreme Weather and Climate Change Response

AIGCC welcomes the Chief Executive's focus on scaling up HKSAR's capability in coping with extreme weather events that are intensifying due to climate change in the [2023 Policy Address](#). We note that in the first half of 2024 alone, climate change-related disasters globally have led to losses in the range of US\$120 billion¹, emphasizing the need for more government focus and better preparedness.

Since large parts of Asia, including the Indian peninsula, Southeast Asia, and China are among regions most vulnerable to the impacts of climate change, AIGCC has been building capacity among investors on physical risks and adaptation through its [Physical Risk and Resilience Working Group](#) (PRR WG).

Building on some of the recommendations made in this regard in the 2023 policy address, we would like to propose that this year's policy address highlights the need for a systemic response that enables more coordination and collaboration among the different stakeholders (communities, businesses and financial institutions) and government on understanding and responding to risks and building resilience. Hong Kong is highly susceptible to physical risks but is also

¹ <https://www.scmp.com/business/article/3272674/climate-change-pushes-bill-disasters-us120-billion-first-half-munich-re>

uniquely positioned as a green bonds financing center to plug the gap for adaptation and resilience projects.

AIGCC members have developed investor expectations on adaptation planning which are a natural extension from CE's 2023 policy address section on extreme weather. The key elements of these expectations are listed below:

- Formation of a **Hong Kong city wide adaptation plan, based on updated scenario analysis**, including a worst-case high future emissions scenario that references IPCC.
- Creating a **platform that provides sufficient updated data on physical risk assessments of assets** including critical infrastructure that enables stakeholder understanding of risks and encourages action on adaptation and resilience.
- Development of a **pipeline of adaptation projects, mapped to the city's overall plan** together with implementation responsibilities, timelines, and evaluation criteria, to stimulate action and unlock private financing.
- Allocate a **key coordinator** within the government-constituted steering committees that brings together all relevant departments² across the government that need to be involved on assessing physical climate risk impacts and adaptation planning. This key coordinator can:
 - provide oversight of adaptation work between all government bodies to ensure a comprehensive approach to adaptation planning and financing.
 - act as key representative for Hong Kong to engage with counterparts in the Greater Bay Area, as required by the National Adaptation Plan as well as with representatives from other countries in the region to identify and collaborate on cross-border climate impacts and adaptation planning.
 - act as key touch point to collaborate with other stakeholders including communities, businesses and financial institutions

² Departments including the Development Bureau, Environment and Ecology Bureau, Transport and Logistics Bureau, Civil Engineering and Development Department, Drainage Services Department, Highways Department, the Hong Kong Observatory and others as relevant.

- **clearly assign implementation responsibilities, timelines, and evaluation criteria** within different government bodies
- The financial sector must also be encouraged to futureproof the economy by performing [proper stress testing](#). The **IPCC has highlighted that 2m of sea level rise by 2100 and 5m by 2150 “cannot be ruled out”**.³ **These levels should be reflected in climate stress tests.**

Disclosure standards: While it is important for HKSAR to continue engagement with private sector stakeholders through dialogues on adaptation, it could be helpful for the government to provide transparency to the public on how corporates can improve their resilience efforts. By having ISSB-aligned sustainability disclosure standards, HKSAR is helping to ensure that companies properly disclose climate physical risks and resilience efforts.

Taxonomy: Similarly, by providing clear guidance, definitions and standards as to what constitutes a substantial contribution towards climate change adaptation through frameworks such as the taxonomy would help financial institutions and intermediaries channel capital towards projects and investments that contribute to these goals.

Quality of Sustainable Issuances in Hong Kong : It is an incredible feat that Hong Kong has very quickly boomed when it comes to sustainable issuance, with the market growing 236% compared to the previous year. Measures taken by regulators to improve the market such as subsidies for second party opinions on these issuances will certainly go a long way in improving Hong Kong’s status for green US\$-denominated sustainability issuances. Policymakers can also consider avenues to make available third-party certification for issuance and post-issuance assurance on use of proceeds to enhance the quality of these issuances.

³ In late 2021, the IPCC included an additional “low confidence” but “cannot be ruled out” sea level rise scenario in its Summary for Policymakers due to its high impact and importance for long term “low-regret” adaptation planning – this warns that: “Global mean sea level rise above the likely range– approaching 2m by 2100 and 5m by 2150 under a very high GHG emissions scenario (SSP5-8.5) (low confidence) – cannot be ruled out due to deep uncertainty in ice-sheet processes.”



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Mitigation efforts: In addition to adaptation efforts, it is promising that Hong Kong SAR is promoting mitigation with the 2030 goal of reducing its carbon intensity by 65–70%. However, there is significant reliance on natural gas in the current plan. The argument that gas turbines may have lower GHG-emissions intensity compared to coal-fired power must be assessed considering measurement around methane leakage throughout the supply chain as well which could result in emission intensity that is comparable to coal. Hong Kong should prioritize reducing its dependence on fossil fuels and target more renewable power. Global targets on tripling renewable energy will lead to more innovation, economies of scale and opportunities for companies in the renewable energy space and Hong Kong could position itself better to benefit from these developments by setting more aggressive targets on expanding renewable energy.

Contact Us

Please do contact us for any clarification or assistance on the submission. We look forward to continued engagement on national adaptation planning in Hong Kong SAR.

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