

Green light for climate bonds

The Paris climate change accord aims to achieve three objectives: limit the global average temperature rise to below 2 degrees Celsius, above preindustrial levels; raise the ability to adapt to the effects of climate change; and, ensure a consistent flow of finance for the reduction of greenhouse gas emissions. It has brought forth a new era of environmental movements, where countries, corporations and institutions are mobilised to invest their money and ability towards creating a green economy, opening up several windows of opportunity for Hong Kong.

As an international financial centre, Hong Kong is in a unique position to promote a low-carbon economy through green financing, and reducing greenhouse gas emissions by investing in various funds, bonds and other initiatives.

Climate bonds, for example, help raise finance for mitigation or adaptation projects. On December 9, in Paris, 27 global investors representing over US\$11.2 trillion issued the Paris Green Bonds statement with the aim of creating a "large and robust market that makes a real contribution to addressing climate change".

The UN Framework Convention on Climate Change's Green Climate Fund also supports programmes and policies in developing countries using thematic funding windows. Several countries have pledged to contribute up to US\$10 billion. Meanwhile, the international environmental organisation 350.org has been encouraging universities to move away from fossil fuels and invest in renewable energy. To date, almost 500 universities have agreed to do so, representing more than US\$ 3.4 trillion of divested funds. The Paris agreement has set up a framework for the world to move away from fossil fuels and towards a green, low-carbon economy.

Country-wide initiatives also offer several investment opportunities. At the conference, President Xi Jinping (习近平) announced that China would launch 100 projects for mitigation and adaptation measures in developing countries, and help them build up their financing capabilities. The government plans to support green and clean energy production and assist its green development fund.

There are many more opportunities for Hong Kong to make an international contribution to the climate change movement. Thus far, however, it has failed to contribute, in kind or otherwise. It is time for Hong Kong to do so. For one thing, with its financial sector, world-class universities, entrepreneurial business sector and proximity to China, Hong Kong has the capacity to become an investment centre for climate bonds.

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