

## Hong Kong Government Green Bond Programme

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The Hong Kong Government announced in February 2022 the launch of the first retail Government green bonds.

Such bond issuance is part of the Government Green Bond Programme (“Programme”).<sup>1</sup> This article introduces the framework and bonds under the Programme.

### Framework of the Programme

In February 2018, the Financial Secretary of the Hong Kong Government announced in his 2018-19 Budget to launch the Programme, with a borrowing ceiling of HK\$100 billion (approximately US\$12.8 billion)<sup>2</sup>, to demonstrate the commitment to promoting green finance and developing Hong Kong into a more sustainable and livable city.

The framework of the Programme sets out how the Government intends to issue green bonds with the vision to improve the environment, combat climate change and transition to a low carbon economy. The

framework was first published in March 2019 and was updated in February 2022. The updated framework reflects Hong Kong’s latest climate commitments and strategy that aligns with the latest international standards and practices in the green bond market.

#### 1. Usage, reporting and management of proceeds of green bonds

The proceeds of bond issuance will be used exclusively to finance or re-finance public works projects of the Government that fall under one or more of the eight eligible categories, namely:

- renewable energy
- energy efficiency and conservation
- pollution prevention and control

<sup>1</sup> [Hong Kong Government Green Bond Programme - Overview \(hkqb.gov.hk\)](https://www.hkqb.gov.hk/en/overview)

<sup>2</sup> [https://www.hkqb.gov.hk/en/others/documents/Green\\_Bond\\_Report\\_2021.pdf](https://www.hkqb.gov.hk/en/others/documents/Green_Bond_Report_2021.pdf)

- waste management and resource recovery
- water and wastewater management
- nature conservation/biodiversity
- clean transportation
- green buildings

The proceeds will be credited to the Capital Works Reserve Fund, administered by the Financial Services and the Treasury Bureau pending earmarking to eligible projects. The Bureau provides information on the allocation of the net proceeds of the green bond issuance via annual Green Bond Reports.

## 2. Project evaluation and selection

The Steering Committee on the Programme chaired by the Financial Secretary and comprising the Secretary for Financial Services and the Treasury, the Secretary for the Environment and Deputy Chief Executive of the Hong Kong Monetary Authority among others is set up to oversee the implementation of the Programme.

One important duty of the Committee is to review and approve (a) each green bond issuance, (b) the allocation of proceeds of each tranche of bonds to eligible projects and (c) eligible projects which continue to meet the eligibility criteria during the life of the bond and (d) reports prepared on the Programme.

## Institutional Green Bonds

As of early March 2022, nine tranches of green bonds of a total of US\$7 billion have been issued under the Programme to a diverse group of institutional investors from around the world. The tenor ranges from 3 years to 30 years. The highest coupon rate is 3%. The bonds were issued in US Dollar, Renminbi and Euro.<sup>3</sup>

## Identified eligible projects

According to the Green Bond Report 2021<sup>4</sup>, 14 eligible projects have been identified as at 31 July 2021 for utilizing the bond proceeds:

Project no.	Name of project	Eligible category	Total project estimate (HK\$ million)
1	I·PARK	Waste management and resource recovery	19,204
2	O·PARK1	Waste management and resource recovery	1,589
3	West Kowloon Government Offices	Green buildings	4,743
4	Inland Revenue Tower in the Kai Tak Development	Green buildings	3,600

<sup>3</sup> <https://www.hkqb.gov.hk/en/greenbond/institutionaloutstanding.html>

<sup>4</sup> [https://www.hkqb.gov.hk/en/others/documents/Green\\_Bond\\_Report\\_2021.pdf](https://www.hkqb.gov.hk/en/others/documents/Green_Bond_Report_2021.pdf)

Project no.	Name of project	Eligible category	Total project estimate (HK\$ million)
5	Upgrading of San Wai Sewage Treatment Works (Phase 1)	Water and wastewater management	2,572
6	Additional Sewage Rising Main and Rehabilitation of the Existing Sewage Rising Main between Tung Chung and Siu Ho Wan	Water and wastewater Management	1,363
7	District Cooling System at the Kai Tak Development	Energy efficiency and conservation	4,946
8	O·PARK2	Waste management and resource recovery	2,453
9	Treasury Building	Green buildings	2,281
10	Redevelopment of Queen Mary Hospital (Phase 1)	Green buildings	13,556
11	East Kowloon Cultural Centre	Green buildings	4,176
12	West Kowloon Drainage Improvement - Inter-reservoirs Transfer Scheme	Water and wastewater management	1,222
13	Expansion of Sha Tau Kok Sewage Treatment Works (Phase 1)	Water and wastewater management	2,041
14	Additional District Cooling System at the Kai Tak Development	Energy efficiency and conservation	4,269

## Retail Green Bonds

The Financial Secretary announced in the 2021-22 Budget a plan to issue retail Government green bonds for the participation of the general public. The bonds will be of a tenor of 3 years and the total issuance amount will be of HK\$6 billion (equivalent to US\$770 million). The interest will be paid once every six months at a rate linked to inflation in Hong Kong, subject to a minimum rate of 2%.<sup>5</sup>

However, in light of the latest developments of the COVID-19 epidemic, the Government recently decided to postpone the launch of the inaugural retail green bond offering although the subscription period was originally scheduled from 1 March to 11 March 2022. Subject to the development of the epidemic situation, the Government will relaunch the subscription arrangement for the retail green bond as soon as possible.

<sup>5</sup> <https://www.info.gov.hk/gia/general/202202/15/P2022021500301.htm>

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