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# Overview of Green Finance Certification Scheme (GFCS)



# Introduction

## Part 1

## 1.1 HKQAA's Initiatives in promoting Green & Social Responsibility Standards

2008

- Collaborated with **HSBC**, with technical advise from **Dr Jorge Cajazeira**, the **Chairman of the Technical Committee of ISO 26000 Guidance of Social Responsibility**, developed and published **CSR Index**

2011

- Obtained UNFCCC** accreditation as the **Designated Operational Entity (DOE)** deliver **validation and verification** for **Clean Development Mechanism (CDM)** projects

2014

- Developed and provided rating services for **Hang Seng Corporate Sustainability Index Series**

2017

- ~~HKQAA's Technical Manager was nominated by Hong Kong and Mainland Government as technical expert from China to joint the ISO working group develop the first green finance related international standard - **ISO 14030 Environmental Performance Evaluation - Green Debt Instruments**~~

2018

- ~~Become the **Observer of Green Bond Principle of ICMA** and approved **Verifier under the Climate Bond Standard**;~~
- ~~HKQAA's Expert was invited to joint the working group for the development of new international standard of sustainable finance (**ISO 32210**)~~

## 1.2 GFCS Development Timeline



## 1.3 Certification Cases

- Up to now, **61 cases have been completed**, amounting to over **15 billion US dollars'** worth of certified green bonds and loans.



# Design Concept of Green Finance Certification Scheme

## Part 2

## 2.1 Green Project Classification

- ▷ **Green Project Classification** is used as an identification tool to classify if the projects funded by the Green Finance fulfill the green definition.
- ▷ The Green Project Classification makes reference to the **Green Bond Principle's classification** and **The People's Bank of China (PBoC) Green Bond Endorsed Project Catalogue** which are both internationally well-recognized standards on Green Finance.



## 2.1 Green Project Classification

GFCS – Green Project Classification	Green Bond Principles 2018	The People's Bank of China Green Bond Endorsed Project Catalogue 2015
Energy Conservation and Efficiency	Energy Efficiency & Green Buildings	Energy Saving
Pollution Prevention and Control	Pollution Prevention And Control	Pollution Prevention and Control
		Clean Utilization of Coal
Resource Conservation and Recycling	Eco-efficient and/or Circular Economy Adapted Products, Production Technologies And Processes	Resource Conservation and Recycling
		Redevelopment and Integrated Utilization of Tailings and Associated Mine
Sustainable Water	Sustainable Water and Wastewater Management	Resource Conservation and Recycling & Pollution Prevention and Control
Sustainable Transportation	Clean Transportation	Clean Transportation
Renewable Energy	Renewable Energy & Energy Efficiency	Clean Energy
Ecological Protection and Biodiversity Conservation	Terrestrial and Aquatic Biodiversity Conservation	Ecological Protection and Climate Change Adaption
		Natural Ecological Protection and Protective Development of Tourism Resource
Climate Change Adaptation	Climate Change Adaptation	Ecological Protection and Climate Change Adaption



## 2.2 Considerations in Formulating the Green Project Classification

- ▶ **Compatibility** – ensure the green project classification is compatible with national and international norms and practices.
- ▶ **Simplicity** – ensure the applicant could easily master the green project classification.
- ▶ **Transparency** – facilitate stakeholders to understand the nature of the green project.

1. Energy Conservation and Efficiency

2. Pollution Prevention and Control

3. Resource Conservation and Recycling

4. Sustainable Water

5. Sustainable Transportation

6. Renewable Energy

7. Ecological Protection and Biodiversity Conservation

8. Climate Change Adaptation

## 2.3 Green Project Classification

### - Green Track and Red Track

Green Track	<ul style="list-style-type: none"> <li>For green projects that could fall into categories in Green Project Classification</li> </ul>	Eligible Green Projects
Red Track	<ul style="list-style-type: none"> <li>For <b>novel green project</b> not fitting in existing categories in Green Project Classification;</li> <li>Applicant has to provide justifications on the positive environmental impact of the project;</li> <li>Experts group will be engaged to evaluate this kind of application.</li> </ul>	
Project Exclusion List	<ul style="list-style-type: none"> <li>With reference to the <b>Exclusion List</b> of International Finance Corporation (IFC), not accept application of green projects related to gambling, weapons, tobacco, production or trade in radioactive materials</li> </ul>	

## 2.4 Measurable Qualitative Approach

- ▷ Except energy related issues, HKQAA recognized that there is a lack of scientific **standards to measure the performance** of several environmental issues, such as **biodiversity**.
- ▷ Instead of establishing specific performance standard for different environmental issues, the certification scheme will adopt a **measurable qualitative approach**.
- ▷ HKQAA will assess if the **Environmental Method Statement** proposed by applicant will produce positive environmental effect when being implemented for green projects.

Global  
Environmental  
Issues

Prevention of pollution

Sustainable resources  
use

Climate change  
mitigation and  
adaptation

Protection of  
environment,  
biodiversity and  
restoration of natural  
habitats

## 2.5 Key Requirements

- ▶ **Prepare** Environmental **Method Statement** to demonstrate the Green Projects fulfills the Certification Scheme requirements, such as, complying with Green Bond Principles, addressing the applicable green projects category, illustrating the method to produce positive environmental impact and achieve the defined **KPI**.
- ▶ **Disclose the Environmental Method Statement** to stakeholders to achieve high **transparency**;
- ▶ **Establish and/or implement Impact Assessment and Stakeholder Engagement Program** to ensure the Green Project could maintain a suitable balance between interest of stakeholders and social/ environmental impact.

## 2.6 Criteria for evaluating green impact

- ▶ **Key Performance Indicator (KPI)** of Green Projects shall align with the environmental targets of Sustainable Development Goals of United Nation Environmental Programme (**UNEP**).



## Way Forward

- ▷ Over the years, **HK SAR Government** and the **Financial Sectors** have done a lot on the promotion of **Green Finance**.
- ▷ What **next**?
- ▷ Our **Suggestions**:
  - Further regional and global collaboration: **Belt & Road** & **Greater Bay Area**
  - Further collaboration among sectors, with the governments in particular;
  - Extend the focus from the large corporation needs to the needs of the SME's;
  - **UN** to take a more active and proactive leading roles in **driving governments around the world and within regions** to achieve the above through **public policies**



Thank You