

Launch Ceremony of Greenhouse Gas Emissions Calculation and Estimation Tools

Welcoming Remarks

Ms Julia Leung
Chief Executive Officer

21 February 2024

Professor Loh, Professor Lau, distinguished guests, ladies and gentlemen, I wish you all a Happy Chinese New Year!

I just returned from Paris to celebrate the Lunar New Year. In Paris, I participated in a high-level conference on sustainable finance organised by the International Organization of Securities Commissions (IOSCO). The conference brought together leading regulators from more than 10 jurisdictions to exchange views on topics ranging from corporate sustainability reporting, transition finance, combatting greenwashing, to climate-related information and data.

These are all salient topics for market regulators and intermediaries for a simple reason: whether you are a fund management firm, bank or international corporation, an increasing number of family offices and institutional investors are paying attention to companies' performance in sustainable development. This covers the disclosure of climate-related information, the impact of climate change on corporate profitability and growth, as well as the climate-related risks and opportunities for them.

Carbon emission is one of the key indicators, as most major economies have set decarbonisation targets, including Mainland China's dual goals to achieve carbon emission peak by 2030 and carbon neutrality by 2060. Many investors and financial institutions, such as fund managers, banks, insurers and pension fund managers, have joined various net zero alliances and set out their own decarbonisation roadmaps.

These intermediaries require investee companies to provide greenhouse gas emissions data when making investment or providing financing. Regulatory authorities have also set standards for these disclosures to facilitate comparison by investors. For example, the Stock Exchange of Hong Kong Limited is in the final stages of developing climate-related disclosure requirements for Hong Kong-listed companies informed by the IFRS Sustainability Disclosure Standards. The quantitative disclosure requirements cover Scopes 1 and 2 greenhouse gas emissions, and eventually Scope 3.

You may wonder: If I am neither a listed company nor a large enterprise and do not tap into international capital, perhaps I do not need to understand or calculate my carbon emissions. However, in fact, these are closely related to your future operations and businesses.

Note: This is the text of the speech as drafted, which may differ from the delivered version.



When large and multinational companies assess their own decarbonisation performances, they need to take into account the carbon emissions of their supply chains, including such processes as raw material production, processing, and transportation. Companies failing to make appropriate sustainability-related disclosures may miss opportunities of obtaining investments and financing. Therefore, if you are a supply-chain company, you may be required to provide quality carbon emission disclosures. Such capability has become an increasingly important consideration for large enterprises to select and evaluate suppliers.

As the capital market regulator in Hong Kong, the Securities and Futures Commission (SFC) is committed to promoting corporate sustainability disclosures, with a view to enabling investors to obtain useful, comparable, and reliable information. This will facilitate fair asset pricing and informed investment decisions. This will also support local companies in obtaining more and better investments and financing, thereby bolstering Hong Kong's position as an international financial centre.

In addition to disclosures by listed companies, the SFC is working with the Government and other financial regulators, through the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group), to develop a roadmap for Hong Kong's adoption of the IFRS Sustainability Disclosure Standards as appropriate.

When introducing the regulatory requirements, the Steering Group wishes to help the industry to overcome the challenges in emission disclosures, and fill the data gaps for investors. Therefore, the Steering Group has decided for the SFC to lead this joint effort with the Hong Kong University of Science and Technology (HKUST) to develop the greenhouse gas emission calculation and estimation tools, which will be unveiled today.

These two tools benefit both businesses and financial institutions. Small and medium-sized enterprises (SMEs) can use the calculator to measure their own greenhouse gas emissions, while investors and financial institutions can estimate the emissions of their investees or borrowers. The methodologies of these tools are transparent, which facilitate the provision of reliable and comparable carbon emissions data to inquiring organisations. The Steering Group has posted the tools on its website for immediate public access for free.

Later, the research team of HKUST will introduce the functions and features of these two tools in detail, especially how they better serve the needs of local users when compared to other available tools in the market. I encourage all of you to try out these tools and help promote them, to support the sustainable development in Hong Kong and make our living environment better for future generations.

Finally, I would like to thank the HKUST team for more than a year of efforts to develop an estimation model that correlates the greenhouse gas emissions of local companies with their energy consumption by examining local data in large amounts. It is also readily accessible to SMEs. At the same time, the SFC encourages fund managers and other financial institutions to use the tools to estimate greenhouse gas emissions in their investment portfolios. I will now turn it over to colleagues from the HKUST, Hong Kong Monetary Authority and the Hong Kong Exchanges and Clearing Limited, as well as representatives from SMEs to introduce these two tools, highlight their importance, and also share user experiences. Thank you.