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GREEN AND SUSTAINABLE FINANCE UPDATES
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Capital markets are critical to a seamless transition to a low-carbon, climate-resilient economy. An ever-evolving financial system, a vibrant ecosystem of Green and Sustainable Finance (GSF) products and services, and a favourable regulatory framework are essential for such a transition. As such, regulators and institutions have been refining regulatory principles and frameworks regularly. The latest developments in this space around the globe have been summarised below:

Blue carbon principles and guidance released at COP27

At COP27, principles for creating high-quality and investable blue carbon initiatives that would benefit people, the environment and climate were unveiled.

A global coalition of ocean leaders has released the final 'High-Quality Blue Carbon Principles and Guidance', a ground-breaking framework to direct the creation and acquisition of high-quality blue carbon projects and credits. Salesforce, Conservation International, the Nature Conservancy, the Ocean Risk and Resilience Action Alliance (ORRAA), the Friends of Ocean Action/Ocean Action Agenda at the World Economic Forum, and the Meridian Institute worked together to design the framework.

Protecting nature, empowering people, deploying the finest information and carbon accounting principles, operating contextually and locally, and mobilising high integrity capital are the five guiding principles.

ORRAA wishes that governments, investors, buyers, and sellers will use these advanced principles and guidelines as the cornerstone of their participation in this market, according to Karen Sack, executive director of ORRAA, so as to race to the top for blue carbon investments that benefit communities, businesses and nature.

Read more from the source:
https://www.regulationasia.com/blue-carbon-principles-and-guidance-issued-at-cop27/

Aspires to speed up and broaden the scope of the net zero transition

Glasgow Financial Alliance for Net Zero (GFANZ) released updates on portfolio alignment measurements and policy levers in addition to the finalised transition framework for financial institutions.

Amid growing concerns over the softening decarbonisation obligations, GFANZ presented a suite of 2022 workstream updates that included the completion of its transition financing framework for financial institutions.

The finalised 'Financial Institution Net Zero Transition Plan', which was first available for consultation in June, has identified and offered guidance across four aspects of transition finance. The planned phase-out of high-emitting assets that will become stranded by 2050, business models that have already aligned with a net zero pathway, organizations that are in the process of doing so, and investments in climate solutions are among those.

The framework is described as a dynamic advice, which acknowledges that not all circumstances are applicable to supporting pathways, tools, and approaches. Moreover, the framework would be flexible because policy, legislation, technology, and science are all evolving quickly.

The quality and usefulness of the required tools, methodologies, and datasets will most certainly increase as more financial institutions develop their transition strategies, according to GFANZ.

Read more from the source:
https://www.esginvestor.net/gfanz-aims-to-boost-speed-and-scope-of-net-zero-transition/

China and Singapore are launching green finance taskforce

The People's Bank of China and the Monetary Authority of Singapore (MAS) have formed a taskforce to enhance public-private sector exchanges and mobilise private investment for sustainable development. These initiatives are part of the MAS's recent announcement of new initiatives to expand green finance cooperation and strengthen its capital market ties with China.

The taskforce will explore ways to work together in areas including standards and definitions, finance solutions for the green and transitional economies, and data and technological enablers to boost green financing flows.

Furthermore, the Singapore Exchange (SGX) and the Shenzhen Stock Exchange (SZSE) have announced that the first three exchange traded funds (ETFs) would join their ETF Product Link before the end of the year. By the year end, SGX, the Shanghai Stock Exchange (SSE), and the SZSE plan to jointly introduce a low carbon index family, which will act as a benchmark for fund managers launching new green funds targeted towards China, ASEAN, and other Asian nations. The index family aims to increase investor interest in regional green investment possibilities and direct funding toward top sustainable businesses.

China and Singapore also intend to launch a new blockchain-based tracking service for container movements between Singapore and Chinese ports by the end of 2022, increase cooperation on innovation and research initiatives, and gradually and safely increase the number of weekly flights between the two nations to levels prior to COVID-19.

Read more from the source:
https://www.esginvestor.net/china-singapore-launching-green-finance-taskforce/

Green fund market in Europe requires investor caution

According to a recent study, investors in light or dark green funds in Europe are still receiving inadequate sustainability information. As per Morningstar, transparency of light and dark vehicles under the Sustainable Finance Disclosure Regulation (SFDR) is still in its early stages. Despite extensive efforts to strengthen regulatory guidelines for Q3 2022, there is little transparency and substantial diversity across funds, according to Morningstar's latest quarterly report on funds regulated under the SFDR.

However, new requirements that go into effect in January 2023 are pushing asset managers to disclose more comprehensive information on their funds' sustainability credentials, including compliance with Europe's green taxonomy. It also drives certain funds to reduce their claims and status.

Consumer protection standards have begun to boost openness in Europe's green funds sector, but the process is now discovering information gaps that are being gradually closed. To improve consumer access to and choice among sustainable investment solutions, fund manufacturers have started sharing more specific information with distributors via the European ESG Template since August. This is meant to assist distributors in recommending funds that have a minimal proportion of sustainable investments, for example, or those that take into account certain major unfavourable consequences.

Read more from the source:
https://www.esginvestor.net/investor-caution-needed-in-european-green-fund-market/

How can BDO help?

International capital markets have moved toward a focus on sustainable development. The growth of green finance has been accelerating in Hong Kong as we are transitioning into a regional GSF hub. The expansion of responsible investment and the provision of money for sustainable development are being driven by the rising number of investors who are taking environmental, social and governance factors into account. Under the new normal, financial institutions and asset managers must stay on top of regulatory changes, and to implement updates to their existing risk assessment systems to address a wider range of climate risk factors.

BDO Risk Advisory team is a group of professional and experienced consultants who have forward-looking insights on GSF and relevant market landscape. We stay on top of regulatory changes and are able to provide advisory and third-party review services in the area of GSF. Contact us to see how we can support your business.

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